Their needs are augmented by greater wants for better living, a better car, wider streets, and better lighting. We want our children's standard of living to grow.

When our citizens become cramped in our cities and want the fresh air and greater space of the suburbs, they get on the move. And Mr. Tom Jones, citizen, expects his public servants to provide additional public facilities for him to do so. We believe the expectations reasonable.

These not-so-unreasonable needs, wants, and growth movements have expanded to such gargantuan proportions that our resources have become taxed and we must choose between them. We must determine the relative urgencies of these demands. We need a sound method for this determination.

In a particular sense, when a region's citizens count up their natural water and related land resources and consider their future, should they in an arid region say, "We shall make steel here," or in the midst of the Rockies, "We shall raise cattle here." Should they not rather inquire, "What can we best do with what God has given us? What water resources have we? Are they limited? Can we augment them? Can we use them to transport materials to us and to carry away what we make? Shall we farm, mine, raise cattle, or manufacture? Finally, in view of all factors, what various alternatives have we to choose from to best guide our immediate future and the longer range future of our children?"

We believe a sound answer is that the best path of growth is that which nature dictates with all her assets weighed together. It is not a unilateral approach which springs from a study by any one agency which has been charged with one major function. We believe any region has a right to consider all possible alternative choices for its future growth.

We believe simply that the principles, choice, and selection of "the best for the region," "the best for the basin," "the best for the State," and "the best for the Nation" should be applied to all planning before decisions are made. And all the folks of the region, basin, or State should have a voice in this planning from the beginning.

Comprehensive planning connotes not only a coordination of the functional planning of agencies and the harmonizing of the efforts of all levels of government, but aggressive participation by those primarily concerned. We have only to look at the $12-billion plan of the great State of California for an outstanding example. Think of it—a $12-billion plan for one State. It is their plan. Of course, they have cooperated with Federal and local agencies in its development and desire the benefits of such Federal assistance as the laws provide. But California has a plan based on California's conception of California's future.

The great State of Texas is, I understand, developing a long-range plan which, too, will be Texas' own plan as Texans see their destiny.

I believe you in this Rivers and Harbors Congress agree in wanting the best plan, not the next best. The recommendations of the President's Advisory Committee on Water Resources Policy, submitted to the Congress of the United States in January 1956, contained policies and principles with attendant organizations to make our water-resources-development programs the best.

They mark out a coordinated course of action whose sole objective is to attain the best.

Our water policies, to a degree, have, like Topsy, "just growed" in a somewhat piecemeal fashion. This was only natural, since the Federal Government has at different historical periods responded to the most prominent pressure of need of the people of that period. Emphasis on functional development through programs of specific agencies with specific duties was natural. But as the country has become more and more closely knit together, and its needs have grown in diversity, complexity, and size, these functions have overlapped and impinged on each other in many regions.

Some years ago a friend of mine told me of the expansion of his company in the food line. It absorbed many smaller food businesses, some of which in turn had several lines which competed with those of other divisions of the mother company. This overlapping took place not only in type of product but soon in the regions served geographically. The law of diminishing returns came into play and earnings fell. Management then had to reexamine their resources and objectives and do some pruning. No major divisions were eliminated but collaboration was secured through establishment of definite policies and a rearrangement of the organization to assure their carrying out.

The need for coordination of our water resource development through adoption of a broad national policy with effective organization to follow up is greater today than ever. We need some more definite charts and guides to follow as programs and projects multiply.

I would like to recall for your consideration a point made by your able President, the Honorable Congressman OVERTON BROOKS, in his statement before the House Public Works Committee several years ago. It is even more applicable today. He stated that the matter of providing a sound policy for the conservation and development of our country's water resources is of broad national interest involving the Federal Government, the States, the political subdivisions, corporate entities, and individuals.

The National Rivers and Harbors Congress has been traditionally a leader in the water resources development of our country. We can take comfort in the knowledge that your organization will continue to advance the common effort for better balanced, more economic, coordinated public construction in which all citizens can participate and from which all will benefit.

SENATE

THURSDAY, JUNE 19, 1958

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

God of all mercy, bowing at this noontide altar of Thy grace, may we be vividly conscious that we need not turn back to bygone centuries to hear Thy voice, as if Thou dost no longer speak to men.

Above the noise of crashing systems, yea, in and through the change and confusion of our day, give us to see that Thou art searching out the souls of men before Thy judgment seat.

Through the want and woe of Thy world, and of Thy children, our brothers, Thy voice to us is sounding.

So, hearing and heeding the divine summons, may our compassion, wide as human need, help to heal the open sores of the world as we serve the present age, our calling to fulfill.

In the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, June 18, 1958, was dispensed with.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House insisted upon its amendment to the bill (S. 3910) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two House thereon, and that Mr. DAVIS of Tennessee, Mr. BLATNIK, Mr. JONES of Alabama, Mr. MCGREGOR, and Mr. MACK of Washington were appointed managers on the part of the House at the conference.

The message also announced that the House had passed a bill (H. R. 12948) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1959, and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 846. An act for the establishment of a National Outdoor Recreation Resources Review Commission to study the outdoor recreation resources of the public lands and other land and water areas of the United States, and for other purposes;

S. 1248. An act for the relief of Fred G. Clark;

S. 2064. An act for the relief of Marie Ethel Pavlovitch and her daughter, Dolly Hester Pavlovitch;

S. 2087. An act for the relief of Eva Lichtfuss;

S. 2099. An act for the relief of Irene B. Moss;

S. 2147. An act for the relief of Chong Sook Rhee;

S. 2196. An act for the relief of Annadore E. D. Haubold and Cynthia Edna Haubold;

S. 2245. An act for the relief of Moy Tong Poy;

S. 2256. An act for the relief of Luz Poblete and Robert Poblete Broaddus, Jr.;

S. 2301. An act for the relief of Genevieve M. Scott Bell;

S. 2346. An act for the relief of Lucy Hedwig Schultz;

S. 2499. An act for the relief of Ilona Agnes Ronay;

S. 2503. An act for the relief of Maria H. Aguas and Buena M. Castro;

S. 2538. An act for the relief of Florica Bogdan;

S. 2613. An act for the relief of Cedomilj Mihailo Ristic;

S. 2650. An act for the relief of Tokiyo Nakajima and her child, Megumi (Kathy) Nakajima;

S. 2657. An act for the relief of Jesus Romeo Sotelo-Lopez;

S. 2713. An act for the relief of Abbas Mohammad Awad;

S. 2718. An act for the relief of Haseep Milhem Esper;

S. 2849. An act for the relief of Moo Wah Jung;

S. 2940. An act for the relief of Joseph H. Choy; and

S. 3124. An act for the relief of Tommy Ilton Chatterton (Tommy Kim).

HOUSE BILL REFERRED

The bill (H. R. 12948) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1959, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

LIMITATION OF DEBATE DURING MORNING HOUR

Mr. JOHNSON of Texas. Mr. President, under the rule, there will be the usual morning hour; and I ask unanimous consent that statements in connection therewith be limited to 3 minutes.

The VICE PRESIDENT. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The VICE PRESIDENT. If there be no reports of committees, the nomination on the Calendar will be stated.

FEDERAL POWER COMMISSION

The Chief Clerk read the nomination of John B. Hussey, of Louisiana, to be a member of the Federal Power Commission for the term of 5 years expiring June 22, 1963.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the President be notified immediately of the confirmation of this nomination.

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

RETURN OF CERTAIN TREATIES TO THE PRESIDENT

Mr. GREEN. Mr. President, from the Committee on Foreign Relations I submit a resolution providing that the Secretary of the Senate be directed to return to the President the nine treaties mentioned in the President's request of April 22, 1958.

The VICE PRESIDENT. The resolution will be read for the information of the Senate.

The legislative clerk read the resolution, as follows:

Resolved, That the Secretary of the Senate be, and is hereby, directed to return to the President of the United States, in accordance with his message of April 22, 1958, the following treaties:

Executive C, 80th Congress, 1st session, conciliation treaty between the United States of America and the Republic of the Philippines, signed at Manila November 16, 1946.

Executive T, 80th Congress, 1st session, convention concerning social security for seafarers, adopted by the International Labor Conference, Seattle, June 6–29, 1946 (ILO Convention No. 70).

Executive HH, 80th Congress, 1st session, inter-American convention on the rights of the author in literary, scientific, and artistic works, signed at Washington June 22, 1946 (Inter-American Copyright Convention).

Executive G, 81st Congress, 1st session, convention concerning statistics of wages and hours of work in the principal mining and manufacturing industries, including building and construction, and in agriculture, adopted by the International Labor Conference, Geneva, June 2–22, 1938 (ILO Convention No. 63).

Executive B, 82d Congress, 1st session, convention concerning the organization of the Employment Service, adopted by the International Labor Conference, San Francisco, June 17–July 10, 1948 (ILO Convention No. 88).

Executive H, 82d Congress, 1st session, Understanding with respect to ILO Convention No. 63, concerning statistics of wages and hours of work in principal mining and manufacturing industries, including building and construction, and in agriculture.

Executive J, 82d Congress, 1st session, convention concerning vacation holidays with pay for seafarers, adopted by the International Labor Conference, Geneva, June 8–July 2, 1949 (ILO Convention No. 91).

Executive K, 82d Congress, 1st session, convention concerning crew accommodations on board ship (revised 1949), adopted by the International Labor Conference, Geneva, June 8–July 2, 1949 (ILO Convention No. 92).

Executive L, 82d Congress, 1st session, convention concerning wages, hours of work on board ship and manning (revised 1949), adopted by the International Labor Conference, Geneva, June 8–July 2, 1949 (ILO Convention No. 93).

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. GREEN. Mr. President, these are treaties to which the administration has found it desirable to give further study in view of the developments occurring since their negotiation. All are listed in the resolution which the clerk has just read. I ask unanimous consent that the resolution be considered and agreed to.

The VICE PRESIDENT. Without objection, the resolution is agreed to.

LEGISLATIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

PLANS FOR CERTAIN WORKS OF IMPROVEMENT

A letter from the Director, Bureau of the Budget, Executive Office of the President, transmitting, pursuant to law, plans for works of improvement on Mud River, Ky., and Tramperos Creek, N. Mex. (with accompanying papers); to the Committee on Public Works.

A letter from the Director, Bureau of the Budget, Executive Office of the President, transmitting, pursuant to law, plans for works of improvement on Antelope Creek, Nebr., Bear, Fall, and Coon Creeks, Okla., and Auds Creek, Tex. (with accompanying papers); to the Committee on Agriculture and Forestry.

REPORT ON AGREEMENTS CONCLUDED UNDER AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

A letter from the Acting Administrator, Foreign Agricultural Service, Department of Agriculture, Washington, D. C., reporting, pursuant to law, on agreements concluded during May 1958, under title I of the Agricultural Trade Development and Assistance Act of 1954, with the Governments of Iceland and Burma (with accompanying papers); to the Committee on Agriculture and Forestry.

AMENDMENT OF INTERNATIONAL ORGANIZATIONS IMMUNITIES ACT

A letter from the Secretary of State, transmitting a draft of proposed legislation to amend the International Organizations Immunities Act, extending certain privileges, exemptions and immunities to international organizations and to officers and employees thereof (with an accompanying paper); to the Committee on Finance.

PROPOSED SUPPLEMENTAL AGREEMENT, MOUNT RAINIER NATIONAL PARK

A letter from the Assistant Secretary of the Interior, transmitting, pursuant to law, a proposed supplemental agreement in Mount Rainier National Park (with accompanying papers); to the Committee on Interior and Insular Affairs.

CLAIMS OF CERTAIN INDIANS *v.* THE UNITED STATES

A letter from the Chief Commissioner, Indian Claims Commission, Washington, D. C., reporting, pursuant to law, that proceedings have been finally concluded with respect to the claim of *Tillamook Tribe of Indians, Coquille Tribe of Indians, Kusan Tribe of Indians, Kwatami Tribe of Indians, Rogue River Tribe of Indians, Skoton Tribe of Indians, Shasta Tribe of Indians, Sainstkea Tribe of Indians, Too-Too-To-Ney Tribe of Indians, Umpqua Tribe of Indians, Calapooia Tribe of Indians, Tualitin Tribe of Indians, Yamhill Tribe of Indians, Santiam Tribe of Indians, Willamette Tribe of Indians, Chetco Tribe of Indians, Chinook Tribe of Indians, Cascade Tribe of Indians, Clackamas Tribe of Indians, Molalla Tribe of Indians, the Confederated Tribes of Siletz Indians, and portions and descendants of all such tribes, Plaintiffs*, v. *the United States, Defendant*, docket No. 239 (with accompanying papers); to the Committee on Interior and Insular Affairs.

A letter from the Chief Commissioner, Indian Claims Commission, Washington, D. C., reporting, pursuant to law, that proceedings have been finally concluded with respect to the claim of the *Pottawatomie Tribe of Indians, the Prairie Band of the Pottawatomie Tribe of Indians, et al., Plaintiffs*, v. *United States of America, Defend-*

ant, Docket No. 15–H (with accompanying papers); to the Committee on Interior and Insular Affairs.

DISPOSITION OF EXECUTIVE PAPERS

A letter from the Archivist of the United States, transmitting, pursuant to law, a list of papers and documents on the files of several departments and agencies of the Government which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking to their disposition (with accompanying papers); to a Joint Select Committee on the Disposition of Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. JOHNSTON of South Carolina and Mr. CARLSON members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the VICE PRESIDENT:

A letter in the nature of a petition signed by the members of the firm of Harwood, Hefferman & Soden, attorneys at law, Newport Beach, Calif., favoring the enactment of House bills 9 and 10, relating to the establishment of voluntary pension plans; to the Committee on Finance.

A letter in the nature of a petition from Severin Margulies, of New York City, N. Y., relating to a world army and a world court; to the Committee on Foreign Relations.

A resolution adopted by the Baltic-American Committee, of Chicago, Ill., relating to world peace and self-government for the Baltic States; to the Committee on Foreign Relations.

The petition of R. H. Simon, of San Francisco, Calif., relating to the hourly wage under the minimum wage law; to the Committee on Labor and Public Welfare.

The memorial of Mike Honea, of Dallas, Tex., remonstrating against the admission of Alaska into the Union as a State; ordered to lie on the table.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. GREEN, from the Committee on Foreign Relations, without amendment:

H. Con. Res. 332. Concurrent resolution relative to the establishment of plans for the peaceful exploration of outer space (Rept. No. 1728).

By Mr. MURRAY, from the Committee on Interior and Insular Affairs, with an amendment:

H. R. 12088. An act extending the time in which the Boston National Historic Sites Commission shall complete its work (Rept. No. 1729).

By Mr. ANDERSON, from the Committee on Interior and Insular Affairs, with an amendment:

S. 3469. A bill to amend the Act of July 31, 1953, relating to the Arch Hurley Conservancy District, Tucumcari reclamation project, New Mexico (Rept. No. 1730).

Mr. FULBRIGHT, from the Committee on Banking and Currency, without amendment:

H. R. 12586. An act to amend section 14 (b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase United States obligations directly from the Treasury (Rept. No. 1731).

BILL AND JOINT RESOLUTION INTRODUCED

A bill and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JAVITS (for himself, Mr. BEALL, Mr. COOPER, Mr. HUMPHREY, Mr. LONG, Mr. SPARKMAN, Mr. THYE, and Mr. HOBLITZELL):

S. 4033. A bill amending the Small Business Act of 1953 to assist small-business concerns to participate in and derive benefits from research and development; to the Committee on Banking and Currency.

(See the remarks of Mr. JAVITS when he introduced the above bill, which appear under a separate heading.)

By Mr. MCCLELLAN:

S. J. Res. 180. Joint resolution authorizing the President of the United States of America to proclaim February 8–14, 1959, as National Children's Dental Health Week; to the Committee on the Judiciary.

(See the remarks of Mr. MCCLELLAN when he introduced the above joint resolution, which appear under a separate heading.)

SMALL BUSINESS RESEARCH AND DEVELOPMENT ASSISTANCE ACT

Mr. JAVITS. Mr. President, on behalf of myself, the Senator from Maryland [Mr. BEALL], the Senator from Kentucky [Mr. COOPER], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Louisiana [Mr. LONG], the Senator from Alabama [Mr. SPARKMAN], the Senator from Minnesota [Mr. THYE], and the Senator from West Virginia [Mr. HOBLITZELL], I introduce for appropriate reference a bill to enable small businesses to set up joint research and development organizations by pooling their financial resources, subject to initial Government approval and periodic review of such agreements to insure that the projects operate in the best economic interests of the Nation and with the aid of loans for the Small Business Administration.

Under the terms of the bill, which is entitled the "Small Business Research and Development Assistance Act of 1958," the Small Business Administrator may loan up to $250,000 to any research and development organization established by a group of small concerns which presently could qualify for individual loans under the provisions of the Small Business Act of 1953. The total amount available for such research and development loans would not exceed $20 million; and in order to provide the necessary funds, the bill increases the Small Business Administration's overall lending authority from $530 million to $550 million.

The challenge to our country is how to get for small business enough of the advantages of big business so that smaller firms will have a fair competitive opportunity in today's markets. Chief among the advantages enjoyed by big business are the benefits gained from conducting major research and development projects, the cost of which is usually prohibitive for small business.

Notwithstanding the recession, research and development expenditures this year are expected to amount to more than $8 billion, nearly 10 percent more than in 1957, while net investment in new plant and equipment during 1958 will drop off some $8 billion, or about 25 percent. Research and development costs, which were below the $5 billion figure in 1955, are estimated to more than double by 1960—the year when manufacturers predict that at least 10 percent of their total sales will be in products not even made in 1956.

The significance of these figures in the competitive race is obvious when it is revealed that 92 percent of all firms with less than 100 employees do not engage in research and development, while nearly 95 percent of those businesses with 5,000 or more workers do engage in such projects.

Mr. President, today small businesses generally do not turn to research and development, because of their limited resources and lack of orientation. But in instances where small businesses do utilize the service of established research and development services, they do not generally receive the benefits from auxiliary findings resulting from the research contracted for; this useful and valuable information is the property of the research organization. Under the provisions of my bill, there would be a ready inducement for small businesses, through their trade association or on a regional basis, to organize research and development associations.

Mr. President, so far as I know, this is the first effort to afford that cooperative opportunity, either on a regional basis or an industrywide basis, through their trade associations and through small-business firms. For years, as a lawyer, I represented their trade associations; and I believe this measure will be a means of enabling small businesses to keep up with the pace of today.

The present business recession has drawn the special problems of small business into sharp focus. Unless Government aid, in terms of loans for technical assistance and research, is made available to them, the survival of thousands of these concerns is in doubt.

Small business is not only a critical part of our social order; it is the backbone of the United States economy, for more than 4 million firms—about 95 percent of the total—employ 50 workers or less. The general state of its health is not good.

The Small Business Administration reports that, for the first 4 months of 1958, the number of failures was 15 percent greater than over 1 year ago. In my home State of New York, which has over one-tenth of all the small businesses, the failure rate for the same period has risen nearly 25 percent. Unfortunately, this is not a new national trend. With the exception of 1955, the number of small business failures has increased every year since 1951. Repeatedly, studies show a high correlation between the growth rate of an individual industry and firms in it and the percentage of sales dollars invested in research and development.

Even before our present serious business situation developed, we had reached a point where new methods to encourage small firms to develop and make their full contribution to an ever-growing economy had to be devised. High on the list of new means toward accomplishing that end is to permit small firms to engage in joint research ventures, so they can keep pace with progress in an era in which new methods and processes develop rapidly, brandnew products appear, and customer buying habits often change dramatically. If smaller concerns are limited to their financial resources, then thousands of them must either reach a certain level and stagnate or, being unable to compete against the newest products, must eventually go under.

The bill I am introducing today gives approved research and development organizations incorporated as a mutual or stock company authority to do the following:

First. To construct, acquire, or establish laboratories and other facilities for the conduct of research.

Second. To undertake applied research on its own initiative, and to share the results with its members.

Third. To collect research information related to a particular industry, and disseminate it to its members.

Fourth. To conduct applied research on a protected, proprietary, and contractual basis, with member or nonmember firms, Government agencies, and other.

Fifth. To prosecute applications for patents, and render patent services for member firms.

Sixth. To negotiate and grant licenses under patents held by it, and to establish subsidiary corporations designed to exploit particular patents obtained by it.

Ample safeguards have been provided to protect against violations of the antitrust statutes.

Under the language of the bill—

The Administrator may, after consultation with the Attorney General and the Chairman of the Federal Trade Commission, and with the prior written approval of the Attorney General, approve any agreement between small-business concerns involving the pooling of financial resources for the establishment under State law of research and development organizations whenever the Administrator finds that the joint program proposed is consistent with the competitive, free-enterprise system and will strengthen the national economy.

Approval of the agreement and the joint program could be withdrawn at any time when it was felt the best interests of the national economy were not being served and, for example, whenever it was determined that concerns participating in the project could no longer be classified as small business.

Normally, under present procedures, small businesses just starting out do not receive Small Business Administration loans. However, this bill allows the Administrator, following the regular approval procedures, to loan up to $250,000 to a newly organized research and development group. The loans, made directly or together with other lending institutions, will run up to 30 years, and can be extended or renewed for not more than an additional 10 years, at a rate of interest to be determined, insofar as the Government's share is concerned, by the Small Business Administration. It should be pointed out that, while the small-business research and development pool is a new entity, the small businesses owning and operating it will be well established and responsible firms.

The job security of 35 million American workers depends on the financial stability and growth potential of all our Nation's small businesses. Their future is directly related to the ability of small business to attract new customers and enter new markets with new products here at home and in the years ahead, with increasing participation in exporting goods into enlarging markets in the partially developed areas of the world. Scientists have assured us that research techniques can be applied successfully to nearly every type of small business, both in the technical and in the distribution fields. We must open wide the laboratory door to firms of every size in every industry, for it is evident that research, discovery, and development represent the main basis of progress for business in the decades ahead.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 4033) amending the Small Business Act of 1953 to assist small-business concerns to participate in and derive benefits from research and development, introduced by Mr. JAVITS (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Banking and Currency.

NATIONAL CHILDREN'S DENTAL HEALTH WEEK

Mr. McCLELLAN. Mr. President, the dental profession, through the American Dental Association, will sponsor the 11th National Children's Dental Health Week during February of 1959. This event will be one of the most important features of a centennial year celebration commemorating the 100th anniversary of the association.

Tooth decay affects more children than does any other disease. It would require every dentist working full time on children to even partially eliminate dental disease caused by the ravages of dental decay, and such a project would be an impossibility.

Much of the untold damage to the health of children and much of the cost of dental care could be prevented through use of measures now available to curb dental disease. Many of the dental problems of adults, furthermore, could have been eliminated had these individuals taken proper precaution during childhood and youth.

Unlike many other diseases, there is no single preventive, such as vaccination, to minimize tooth decay, although fluoridation of water supplies is contributing to the overall picture in this field. The individual must be motivated to take the necessary steps to prevent dental problems. This motivation must stem, in part, from health educational programs at community, State and national levels, calling attention to the importance of good dental health and how it can be achieved and maintained. Attaining this goal is the prime purpose of National Children's Dental Health Week.

At the request of the American Dental Association, I introduce for appropriate reference a joint resolution authorizing the President to give official recognition to the importance of good dental health by proclaiming February 8–14, 1959, as National Children's Dental Health Week. I believe this measure should be given full support by Congress.

The VICE PRESIDENT. The joint resolution will be received and appropriately referred.

The joint resolution (S. J. Res. 180) authorizing the President of the United States of America to proclaim February 8–14, 1959, as National Children's Dental Health Week, introduced by Mr. McCLELLAN, was received, read twice by its title, and referred to the Committee on the Judiciary.

AMENDMENT OF ATOMIC ENERGY ACT OF 1954, AS AMENDED—AMENDMENTS

Mr. ANDERSON submitted amendments, intended to be proposed by him, to the bill (S. 3912) to amend the Atomic Energy Act of 1954, as amended, which were referred to the Joint Committee on Atomic Energy, and ordered to be printed.

AMENDMENT OF SMALL BUSINESS ACT OF 1953—AMENDMENTS

Mr. THYE. Mr. President, I submit amendments, intended to be proposed by me, to the bill (H. R. 7963) an act to amend the Small Business Act of 1953. My amendments would establish the Small Business Administration as a permanent agency. I do not intend to speak on the amendments for any length of time today. However, I want my colleagues to know of my action and to solicit their support for this long-delayed and much-needed action.

The action which the Senate takes on the extension of SBA is being carefully watched by thousands of sincere and hard-working small-business men throughout the Nation. They know that the House has already voted for a permanent extension with only two dissenting votes. They also know that the Senate has refused to come to grips with this particular aspect of the SBA bill. Three times now we have sidestepped the issue. Each time some excuse was found to delay a decision.

I submit that the time for decision is right now in the Senate Chamber. I am one who has consistently fought for a permanent SBA. I intend to continue my efforts and for that reason I submit the amendments to make SBA permanent.

The VICE PRESIDENT. The amendments will be received, printed, and lie on the table.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD.

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. WILEY:

Statement prepared by him on the use of milk-dispensing machines for employees in the Federal Government and in private enterprise.

By Mr. CARROLL:

Excerpts from an address entitled "The Crisis in Government Administration," delivered by Senator MORSE before the Federal Communications Commission Bar Association on June 19, 1958.

By Mr. SALTONSTALL:

Address delivered by Secretary of Defense Neil McElroy at Harvard University, Cambridge, Mass., June 12, 1958.

IMPORTANCE OF EDUCATION—ADDRESS BY THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Mr. SMITH of New Jersey. Mr. President, yesterday Secretary Folsom, of the Department of Health, Education, and Welfare, delivered an address at groundbreaking ceremonies for the new headquarters building of the American Association of University Women, here in Washington. His remarks were brief, but they deserve wide attention.

The Secretary expressed fear that we are relaxing into our old apathy and self-delusion about education, and that we are losing the interest and concern which swept the country after the launching of the first Russian satellite.

Secretary Folsom's warning is worth repeating:

We cannot, as a people, afford to let American education languish.

Mr. President, the situation has not improved since last fall; in fact, the need to strengthen our educational system is all the greater, in the light of Commissioner Derthick's valuable firsthand report on Russian education, which he presented last week, and which was placed in the RECORD on Friday, June 13, by my colleague, the distinguished senior Senator from Wisconsin [Mr. WILEY].

I ask unanimous consent to have printed at this point in the RECORD, as part of my remarks, the complete text of Secretary Folsom's address.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

REMARKS BY MARION B. FOLSOM, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, AT GROUND-BREAKING CEREMONY OF NEW HEADQUARTERS BUILDING OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, WASHINGTON, D. C., JUNE 18, 1958

President Hawkes, Dr. McIntosh, members and guests of the American Association of University Women, it is a pleasure to meet with you on this significant occasion and to convey to you my own and the Department's cordial greetings.

There needs to be a new wave of ground breaking—for education—all over America.

Certainly, we will need more and better buildings and equipment for education in the years ahead. But that is by no means all. There is a lot of other building—and rebuilding—that needs to be done in American education.

For one thing, there is a pressing need for better salary structures in education. The salaries we pay many of our teachers are as outmoded as many of the buildings in which they have to teach.

We need a better system for early identification and encouragement of able students. Far too many of our better students end their education too soon.

We need to put greater emphasis on subjects essential to any real understanding of today's world—subjects in the fields of science and the liberal arts. A recent study showed, for example, that less than 1 out of 3 American high school graduates had taken a year of chemistry, that only about 1 out of 4 had had a year of physics, and only about 1 out of 8 had taken a course in advanced mathematics. In any 1 year, only about 1 out of 7 American high-school students are studying a modern foreign language.

Above all, we need to build into the American conscience a greater respect for education, a greater esteem for intellectual achievement. And we need to greaten appreciation of the crucial importance of education to the very survival of our democratic way of life.

I wish all of you could have heard the preliminary report of a month-long study of education in the Soviet Union by a team of distinguished United States educators.

Speaking for the delegation before the National Press Club last Friday, the United States Commissioner of Education, in our Department, Dr. Lawrence G. Derthick, summarized the situation in these words:

"The Russian attitude is, as one Soviet official told us, 'We believe in a planned society, you in individual initiative. Let time tell.' They are convinced that time is on their side and that they can win world supremacy through education and hard work.

"This conviction is basic to all of their efforts and all of their plans for the future," Dr. Derthick said. "Education is paramount. It is a kind of grand passion—this conviction that children, schools, and hard work will win them their place in the sun—and on the moon."

Dr. Derthick said that the confidence of members of the delegation in the educational system of the United States, as reflected in our better schools, had been strengthened by what they learned in Russia. But the delegation's concern for our weaker and neglected schools, he said, had been deepened.

This study gives added weight to what I am sure most of us believe to be the soundest prescription for American education. This is to build upon its strengths by analyzing, acknowledging, and correcting its weaknesses.

From its very early days, America has believed that the highest purpose of education is to provide for each individual the opportunity to realize his true potential.

Surely, America should not depart from this high principle. Surely, we should not lower our sights in education.

But we should appreciate the nature and magnitude of the task of keeping faith with the central purpose of American education.

It is not enough simply to claim more for our system. We must also do more, for in the long run we seek more.

A great wave of interest in education swept this country following the launching of the first Russian satellite. But already, it seems to me, our new-found concern about education is beginning to evaporate. There are signs that too much of our interest and concern was a flash reaction, rather than a firm rededication to making our educational system a superlative vehicle for individual development and democratic advancement. There is danger that we may relax again in apathy or in comfortable self-delusions.

It is true that a number of States and communities have acted in one way or another in recent months to improve their educational systems. But the total distance yet to go to bring American education abreast of needs and to keep it there is a sobering measurement indeed.

The administration's legislative proposals to help the States and communities improve education in certain critical respects were met initially with widespread public interest and considerable approval. Today—6 months later—this legislation still faces formidable obstacles in Congress.

We cannot, as a people, afford to let American education languish.

There is an identifiable group of Americans who have it in their power to make sure that this does not happen. I mean the women of America.

I have an increasing conviction that the women of America should and will play an increasingly important part in marshaling the support for the major actions that will be needed in education in the months and years ahead.

The college-educated women of America have a special responsibility for leadership in this crucial effort. There are many things they can do.

They can get behind proposed bond issues needed for adequate school facilities in their communities.

They can help build respect for teachers and interest in what teachers are trying to do. They can insist that teachers be adequately paid and that they not be burdened with too many nonteaching duties.

And, most important of all, they can help instill not only in their own children but in children and parents of their communities the deep regard for intellectual achievement, the continuing desire for serious scholarship without which no educational system can be fully effective.

None of these things, I feel sure, overestimates the power of American women.

During the academic year now ending, more than 1 of every 3 persons studying for degrees in American colleges and universities were women. This is thrilling progress when we consider the attitudes that prevailed not so long ago toward higher education for women.

These women are in college, we may be sure, not only because of the requirements of the business and professional worlds which many of them will be entering. A great many of them are in college simply because they want to have a better understanding of the world in which they live. And I am sure that many have a still further purpose. The late President Neilson of Smith College once said that "to educate a woman is to educate a family." I believe an ever-increasing number of women share this view and go to college so that they will be better able to help prepare their children for tomorrow's world.

The event which brings us together today bears witness to the fact that your organization is aware of the size and importance of the task we face in education—and will be doing something about it.

Mankind will be the richer for your efforts. Emerson said: "* * * all mental and moral force is a positive good. It goes out from you, whether you will or not, and profits me whom you never thought of."

The American Association of University Women has witnessed—and helped to bring about—advances that even the most far-sighted of your founders scarcely could have envisioned.

This is a day that promises still greater things—for your organization, and for women everywhere, and for generations to come. It is a good day for education.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HOBLITZELL in the chair). Without objection, it is so ordered.

EXECUTION OF CERTAIN LEADERS OF REVOLT IN HUNGARY

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1757, Senate Concurrent Resolution 94.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A concurrent resolution (S. Con. Res. 94) expressing indignation at the execution of certain leaders of the recent revolt in Hungary.

Mr. JOHNSON of Texas. Mr. President, I am informed this is a resolution which was reported unanimously by the Committee on Foreign Relations. The distinguished chairman of the committee, the Senator from Rhode Island [Mr. GREEN], is present. The very able Senator from Minnesota [Mr. HUMPHREY], the author of the resolution, and the very able minority leader, the Senator from California [Mr. KNOWLAND], are anxious to have the Senator take action on the resolution. We have notified members by a quorum call. The resolution is available to each Senator. I understand brief statements will be made by both the Senator from Minnesota and the minority leader. I hope the Senate will proceed to consider the resolution at this time.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the Senate proceeded to consider the concurrent resolution (S. Con. Res. 94) expressing indignation at the execution of certain leaders of the recent revolt in Hungary, which had been reported from the Committee on Foreign Relations with amendments.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the clerk read the resolution as proposed to be amended.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota? The Chair hears none, and the clerk will read the resolution.

The Chief Clerk read as follows:

Whereas the revolt of the Hungarian people in 1956 against Soviet control was acclaimed by freedom-loving people throughout the world; and

Whereas the suppression of the Hungarian revolt of 1956 by the armed forces of the Soviet Union was condemned by the General Assembly of the United Nations; and

Whereas the leader of the Hungarian Government and people in the unsuccessful revolt against Soviet oppression was induced to leave the sanctuary of the Yugoslavian Embassy in Budapest on promises of safe conduct and fair treatment on the part of the Hungarian Communist regime which was not in a position to take such action without the approval of the Soviet Union; and

Whereas these promises were treacherously ignored by Soviet forces and Imre Nagy was seized and held incommunicado; and

Whereas the Soviet imposed Communist regime of Hungary has now announced that Imre Nagy, together with his colleagues Miklos Gimes, Pal Maleter, and Jozsef Sziagyi have been tried and executed in secret; and

Whereas this brutal political reprisal shocks the conscience of decent mankind: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress of the United States that the President of the United States express through the organs of the United Nations and through all other appropriate channels, the deep sense of indignation of the United States at this act of barbarism and perfidy of the Government of the Soviet Union and its instrument for the suppression of the independence of Hungary, the Hungarian Communist regime; and be it further

Resolved, That it is the sense of the Congress of the United States that the President of the United States express through all appropriate channels the sympathy of the people of the United States for the people of Hungary on the occasion of this new expression of their ordeal of political oppression and terror.

Mr. HUMPHREY. Mr. President, I desire to yield at this time to the distinguished chairman of the Committee on Foreign Relations for a statement on the resolution.

Mr. GREEN. I thank the Senator.

Mr. President, the resolution gives voice to the nationwide revulsion which this latest international Communist atrocity has evoked. It calls upon the President to join with other decent nations in expressing this revulsion in all appropriate ways. At the same time, it expresses anew the sympathy of the American people for the people of Hungary who still bear the yoke of Soviet repression of their national liberty.

Mr. HUMPHREY. Mr. President, as has been stated, the resolution was agreed to unanimously by the Senate Committee on Foreign Relations. This was not merely a perfunctory action on the part of the committee. I think it is correct to say that every member of the committee felt very deeply the importance of the action we are contemplating taking in the Senate—namely, the adoption of this concurrent resolution. Each and every member of the committee looked with great disdain and horror upon the atrocities which have been committed on these people, the patriots of Hungary, who attempted to bring freedom to their country.

I think we should understand that Mr. Imre Nagy, the late and former Prime Minister of Hungary, was himself once a Communist leader. Mr. Nagy decided in behalf of his people to take his stand for independence and freedom in Hungary. There was a period of time when the people of the world had reason to believe the revolution in Hungary might be successful. We recall very well, I am sure, that in the fall of the eventful year of 1956 Soviet troops were brought back into Hungary by the thousands. A revolution which seemed destined for success was cruelly crushed, with every form of police state method and every form of brutality and power being exercised.

We recall Imre Nagy had gone to negotiate with the Soviet officials in an effort at that time, it was hoped, to get Soviet troops out of the country. We recall that his efforts were unsuccessful, and, of course, the Soviet troops stayed to put down the revolt or the revolution for freedom.

Mr. President, all these developments are as clear in my mind as if they had happened yesterday. During the fateful weeks of the Hungarian revolution in 1956 I had the honor to serve in New York as a United States delegate to the 11th General Assembly of the United Nations. The United Nations still has an interest in Hungary, still has an official obligation to concern itself with developments in that tragic land, still is the focal point for free men everywhere in their expectations and hopes that the issue of Soviet crimes in Hungary will remain on the agenda for rebuke and possible redress. The United States Senate today has an opportunity to assist in that endeavor and to speak for the American people and for the cause of freedom by adopting the pending resolution.

Mr. President, I note in this morning's press under the dateline of June 18, Belgrade, Yugoslavia, a story by Mr. Abel, of the New York Times, which reads in part:

The Yugoslav Government reminded the world today that the execution of Imre Nagy, Hungary's revolutionary Premier, violated a formal agreement guaranteeing his personal safety.

The guaranty signed by Janos Kadar, was in the form of a letter to the Yugoslav Government, dated November 21, 1956. Mr. Kadar, who had just been installed as Premier by the Soviet Army, promised that Mr. Nagy and his companions could leave the Yugoslav Embassy in Budapest, and go freely to their homes.

I have quoted from the document signed by the Premier of the Communist Government of Hungary.

I continue to read the article:

He (meaning Kadar) assured Belgrade that the new Hungarian regime would take no reprisals against Mr. Nagy and his associates for prior political activities.

Immediately upon leaving the Embassy, Mr. Nagy was kidnaped by Soviet security troops. His trial and execution was announced after he had spent 18 months in forced exile.

Mr. President, there is a roundup of press comment in this morning's New York Times which I think indicates that the whole world—at least the free countries of the world—feels as we feel, utter disgust and disdain for this Soviet-inspired action. I note particularly the New York Times dispatches from New

Delhi, India, and other Asian capitals. The dispatches read:

NAGY'S EXECUTION SHOCKS NEW DELHI—REACTION OF PRESS IS BITTER—COLOMBO IS REVOLTED—SEATO WARNS ASIA

NEW DELHI, INDIA, June 18.—The execution of former Hungarian Premier Imre Nagy and three of his associates has shocked influential Indians in this capital and has brought bitter editorials against the Soviet Union.

Generally, Indian newspapers are cautious in their criticism of Moscow's policies, but in recent months they have published some strong words against the Kremlin.

An official said that the manner in which the Soviet Union had been dealing with Yugoslavia in the current ideological dispute added to the latest news from Moscow about the executions was bound to harm Soviet prestige in India and other Asian countries.

CALLS IT MURDER

The Hindustan Standard, published simultaneously in Delhi and Calcutta, termed the execution of Mr. Nagy "murder."

"Let us call things by their proper names," the paper said in an editorial, adding:

"The contempt with which world opinion has been treated by the Kremlin in this particular instance may not be missed by even those who viewed the sad events in Hungary in October 1956, with less than the accusatory cocksureness of Western capitals."

The editorial ended with this observation: "Why should communism at the height of its power in two continents be afraid of anything and anybody? Yet it apparently is. Of whom? The free man? Of what? The free mind?"

The Madras Hindu in a long editorial asserted it would not be too farfetched to presume that the Nagy execution had been "intended to serve notice to other Soviet bloc countries that Yugoslavia's example is dangerous."

The editorial continued: "The execution is really a political demonstration of Russian power and the intention of Moscow to maintain its hegemony over Eastern Europe."

HORROR AND DISGUST IN CEYLON

COLOMBO, CEYLON, June 18.—The press and public in Ceylon has reacted to the executions with horror and disgust.

Newspapers declared that the executions were a lesson not only for the peoples of Communist countries but also for those of smaller Asian nations.

The Ceylon Observer, referring in an editorial to "the brutish murder of these Hungarian nationalists," said there were political leaders in south Asia who believed that they too would be able to adapt communism to south Asia. The executions must show such Asian leaders that theirs is a forlorn hope, the paper said.

SEATO CHIEF IN WARNING

BANGKOK, THAILAND, June 18.—Nai Pote, Secretary General of the Southeast Asia Treaty Organization, issued an unusual statement condemning the secret trial and executions as "a warning against communism to the peoples of all small nations that if once they come under Communist rule there is no chance of the revival of freedom and independence."

"Any attempt to escape from Communist rule will suffer the same consequence as befell the people of Hungary who tried to bring democracy and freedom to their nation," the statement said.

Mr. HUMPHREY. We again see the perfidy of the Soviet leaders. They and the world ought to understand that it is literally impossible to place faith and trust in them when we see violation after violation from them not only of international commitments, not only of formal agreements, but of what we may call the rules of living.

I, for one, am proud to be associated with this resolution.

Mr. KNOWLAND. Mr. President, first of all I ask for the yeas and nays on the concurrent resolution.

The yeas and nays were ordered.

Mr. KNOWLAND. Mr. President, as has been pointed out by the chairman of the Foreign Relations Committee and the distinguished Senator from Minnesota, this resolution has been unanimously reported from the Committee on Foreign Relations.

The present instance is only another indication in the long line of examples that the word of communism, of the Soviet Union, and of its puppet regimes, cannot be trusted.

Not only did they betray Premier Nagy, and violate the solemn agreement which they had made for his safe conduct—which now proves to have been safe conduct to the execution chamber—but they also violated their pledged word when they were negotiating with General Maleter, Chief Minister of Defense of Hungary, for the withdrawal of Soviet troops. While he and his chief staff assistants were there negotiating, at the request of the Soviet Union, the secret police entered, arrested the high command of the Hungarian armed forces, and destroyed them immediately, so far as their effectiveness was concerned.

This should be a lesson, not only to the people of the United States, but to all the people of the Free World, that they cannot put their faith in the Communist word. The Communists have violated all of their major international agreements over a period of 30 years. They entered into treaties of friendship and nonaggression with Latvia, Lithuania, and Estonia. Within a year and a half of signing those solemn treaties they violated all the agreements and sent troops in to occupy and destroy those countries. Hundreds of thousands of their people were driven into exile.

They had a treaty of friendship and nonaggression with Poland. They attacked Poland from the rear while Nazi Germany was attacking it from the other side.

They had agreements of nonintervention in Hungary, Rumania, and Bulgaria, and they violated all those agreements.

They had signed a solemn agreement with the Republic of China that they would deal only with the Government of that country. The ink was hardly dry on that agreement when they violated it, and were sending arms and ammunition to the forces of Mao Tse-tung and Chou En-lai.

The Soviet Union was a member of the United Nations, pledged to uphold the peace of the world. Nevertheless, it openly admitted that it had given arms and equipment to the North Korean and Red Chinese forces, which made war upon the United Nations itself.

The Soviet Union was a charter member of the United Nations, and yet it violated the 10 resolutions adopted by the United Nations, and helped to strangle freedom in Hungary, even while the United Nations was considering those resolutions.

It so happened that the distinguished Senator from Minnesota [Mr. HUMPHREY] and I were representatives of the United States at the United Nations, not at the 1956 session, when the actual crushing of the Hungarian revolt took place, but at the subsequent session, beginning in the next year, when the United Nations was considering steps at least to bring about withdrawal of the Soviet forces, and to persuade the Soviets to abide by the common decencies of mankind.

I hope that all over the world free parliaments and free legislative bodies will express their indignation at the shocking action which has been taken. While nothing we can say or do in this Chamber today, and nothing said or done anywhere else in the world, can bring back to life Premier Nagy, General Maleter, and the other patriots who have been executed by the Kadar regime, at the instigation of the Soviet Union and with its permission, at least they will not have died in vain if the people of the world are reminded that only at their peril as free men dare they trust in the word of the Soviet Union or any of its satellite regimes.

Mr. JAVITS. Mr. President, the minority leader has just expressed very eloquently the sentiments of many of us, and I wish to compliment the Committee on Foreign Relations and my colleagues from Minnesota and California, who have already spoken.

I should like to add a few words, because I think they are important. Not only have we a right to hope that other parliaments will join, as our minority leader has so eloquently stated, but we have a right to hope that the so-called neutralist powers, nations newly made free, from which news reports were read by our distinguished colleague from Minnesota, will learn one thing. They are often impatient with us when we seem to be too careful with the Soviet Union, when we seem to insist upon what they consider too much in the way of preliminary agreements. When we say that we will take a certain step only when it is coordinate with another step taken by the Soviet Union, they have the idea that we believe that the only way we can win the competition between us and the Soviet Union is by world war III, which they do not want and we do not want.

I hope this will be a salutary lesson to demonstrate that we act from a sense of security and protection, not only for ourselves, but for the entire Free World. This situation demonstrates that the kind of action we have taken through the great bipartisan foreign policy, manifested so well by the support of the concurrent resolution, really is absolutely essential to the protection of the lives of all free peoples, as well as our own.

Mr. POTTER. Mr. President, I wish to join my colleagues in commending the Foreign Relations Committee for reporting Senate Concurrent Resolution 94, expressing the indignation of the Congress

of the United States at the action of the Soviet and Communist leaders.

I think this example demonstrates beyond the shadow of a doubt to anyone who has followed Communist treachery in the past, that this is only another trick in the history of Communist treachery, demonstrating to the world that the word of Communists cannot be trusted. Agreements are treated lightly by them. They keep them when it is to their advantage, and break them when it is to their advantage to do so.

Let me say to the Senator from Minnesota, the Senator from California, and other Members who have been instrumental in bringing this resolution before the Senate, that it is high time for us to tell our allies and other peoples that freedom-loving people cannot long endure or deal with treachery such as that involved in the secret execution of Nagy.

I commend the distinguished Senator from Minnesota.

Mr. SMITH of New Jersey. Mr. President, I commend the Senator from Minnesota and our distinguished minority leader for bringing this resolution before the Senate today.

It is a fine statement of our feelings on this subject, and it follows up some of the statements made yesterday when the news first came to us of these terrible atrocities. I thank the Senator from Minnesota for bringing the matter before the Senate today, and I am happy to support the resolution. I am also happy to have been one of those who voted to report the resolution to the Senate.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that certain editorials and articles be made a part of the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times of June 19, 1958]

BUDAPEST AND THE SUMMIT

The execution of the Hungarian revolutionary leaders has so poisoned the international atmosphere as to have a baleful effect on the whole world situation. In the words of President Eisenhower, it has alerted the Free World to the cynical bad faith and complete untrustworthiness of the Communist regime and has dealt a serious blow to present hopes for a fruitful summit meeting to promote world peace.

Moreover, as indication of an even tougher Soviet policy the Hungarian executions do not stand alone. There is the new conflict with Marshal Tito, designed to force him back into the Soviet camp. There is the kidnaping of the nine American soldiers in Soviet-occupied East Germany, in violation of previous Soviet agreements and practices. There is, most ominously, the Soviet effort to drive the West out of the Middle East through the machinations of Soviet-backed President Nasser, now reaching a new climax in Lebanon. Finally, there is Premier Khrushchev's disruption of diplomatic preparations for the summit meeting itself.

As shown by Khrushchev's latest letter to the Western heads of government, the Soviets would still like a summit meeting as a propaganda spectacle. The Western democracies would be invited to agree to a one-sided disarmament, including a ban on the nuclear weapons that are now the greatest deterrent to Soviet aggression, but without, and certainly prior to, effective controls to keep the Soviets from cheating. But the spokesmen of the West would not be permitted to discuss the tensions in Eastern Europe and the enforcement of East European peace treaties guaranteeing human rights and freedoms, the constant violation of which is so tragically illustrated by the Hungarian revolt and executions. Nor would they be permitted to discuss the reunification of Germany by means of free elections, to which the Soviets agreed at Geneva.

The Soviets had counted on driving the West into paper agreements by the pressure of public opinion. But the worldwide revulsion aroused by the Hungarian executions has eliminated such pressure. In that sense the martyrdom of the Hungarian leaders has not been in vain.

[From the New York Times of June 19, 1958]

UNITED STATES STATEMENT ON NAGY

WASHINGTON, June 17.—Following is the text of a statement by the State Department tonight on the execution of Imre Nagy and other leaders of the Hungarian revolt:

"The execution of Imre Nagy and Pal Maleter and other Hungarian patriots, first publicly announced last night by radio Moscow, can only be regarded by the civilized world as a shocking act of cruelty. The preparation of this act, beginning with the Soviet abduction of Imre Nagy from the Yugoslav Embassy in Budapest in violation of assurances of safe conduct pledged by the Soviet puppet, Kadar, was by stealth and secrecy. It follows significantly on Mr. Khrushchev's April visit to Budapest. It has also come at a time when the Soviet Union has been attempting to persuade the world that international discussion of the plight of Hungary and Eastern Europe generally should not take place because it would constitute unwarranted intervention in the internal affairs of these countries.

"The Soviet Union, which has pursued a policy of terror toward the peoples of Hungary and of the other dominated countries of Eastern Europe for over 12 years, must bear fundamental responsibility for this latest crime against the Hungarian people and all humanity. The murder of these two Hungarian leaders, who chose to serve the interests of their nation, rather than those of Soviet communism, brings to a tragic culmination the Soviet-Communist betrayal of the Hungarian people. It is the executioners of Imre Nagy and Pal Maleter, and not the executed patriots, who have committed treason against the Hungarian nation. By this act the Soviet Union and the Soviet-imposed regime in Hungary have once more violated every principle of decency and must stand in judgment before the conscience of mankind."

[From the New York Times of June 18, 1958]

LODGE DENOUNCES NAGY'S EXECUTION—U. N. DELEGATE SAYS KILLINGS OF HUNGARIAN REBELS RECALL BLOODIEST DAYS OF STALIN

(By Thomas J. Hamilton)

UNITED NATIONS, N. Y., June 17.—Henry Cabot Lodge denounced today the execution of Imre Nagy and three other leaders of the Hungarian revolt of 1956. The chief United States delegate to the United Nations said that it recalled the darkest and bloodiest days of Stalin.

Mr. Lodge recalled that the General Assembly endorsed last fall a report by its special committee on Hungary making it entirely clear that Imre Nagy, Pal Maleter, and their countrymen were innocent of conspiracy with outside governments.

Mr. Lodge did not, however, suggest action by the special committee or any other organ of the United Nations. The General Assembly ended its 1957 session December 14 without taking up the refusal of both the Soviet Union and the Communist government in Hungary to admit Prince Wan Waithsayakan, Foreign Minister of Thailand, the Assembly's special representative for Hungary.

The Hungarian delegation refused to make any statement.

Mr. Lodge did not refer to his statement last December that the United States would ask for a special Assembly session on Hungary should circumstances warrant it. In the absence of such a request, however, the executions will not be discussed before the 1958 session opens in September.

Last March Mr. Lodge asked Peter Mod, the Hungarian delegate at the United Nations, for information on the fate of 24 leaders of the anti-Soviet revolt, including Mr. Nagy and General Maleter. Mr. Mod refused, charging that the United States was trying to interfere in Hungary's domestic affairs.

With the exception of Mr. Lodge, no United States delegate issued a statement on the aftermath of the Soviet intervention in Hungary. The silence reflected the fact that numerous United Nations resolutions had had no effect.

Dag Hammarskjold, the United Nations Secretary General, who tried unsuccessfully to obtain permission to go to Hungary in the fall of 1956, also was silent.

Asked at a press conference this morning whether his visit to Lebanon might be affected by developments in Hungary, Mr. Hammarskjold replied that his stay would be as brief as possible, and that he could reduce it only for the most overriding reasons of a similarly urgent nature. He made no other comment.

Prince Wan told the Assembly last December that he would continue his efforts to obtain compliance with its resolution urging, among other things, free elections in Hungary and the withdrawal of Soviet troops. Prince Wan, who is in Thailand, has made no public statement since then.

Alsing Anderson, of Denmark, is chairman of the Assembly's special committee. Dr. E. Ronald Walker, of Australia, is acting chairman. There were no indications today of any move to call a meeting.

Dobrivoje Vidic, of Yugoslavia, who was more closely concerned with Hungarian developments than any other United Nations delegate, left Saturday for Belgrade.

Mr. Vidic, who at the time was Under Secretary of the Yugoslav Foreign Ministry, went to Budapest in 1956 and obtained a safe conduct from the Hungarian authorities for Mr. Nagy to leave the Yugoslav Embassy.

Despite the safe conduct, Mr. Nagy, along with other Hungarians who had taken refuge there, was arrested when he left the Embassy and was afterward taken to Rumania, according to a Soviet announcement.

In his statement, Mr. Lodge called the secret execution "an affront to humanity and a violation of every pledge the Soviets have made in support of human rights."

"It is a shocking example of Soviet Communist injustice, since it is obviously not a free action of the Hungarian people, who are dependent on Soviet armed support for their continued authority," he added. "Nothing can hide the fact that the Soviet Union first deposed and then kidnaped and executed the Prime Minister of Hungary."

[From the New York Times of June 19, 1958]

ANTI-NAGY CASE HELD DISTORTED—EVIDENCE INDICATES BUDAPEST TEXT TWISTED STATEMENTS OF EX-PREMIER AND AID

(By Harry Schwartz)

Evidence began to become available yesterday of distortions in official Hungarian statement justifying the execution of Imre Nagy and his associates.

In a letter to the New York Times yesterday, Amos Elon, Washington correspondent of the Tel Aviv newspaper Haaretz, put a quite different construction than did the statement upon his September 1956 interview with the late Geza Losonczy, one of Mr. Nagy's closest associates.

The statement quotes Mr. Losonczy as having told Mr. Elon, "If it comes to that we will oppose the Government by force." Mr. Elon's letter notes that the statement does not specify what Mr. Losonczy had in mind.

WHAT LOSONCZY SAID

Actually, Mr. Elon's letter reports Mr. Losonczy told him, "We will prove communism is possible in a new form without ruthless oppression and denial of individual liberties." The letter then continues:

"When I asked him what he would do if Stalinism were reintroduced and political rivals again liquidated or imprisoned, as he himself had been under Rakosi, he quoted Jefferson on the rights of the masses to forcefully overthrow a leadership that betrays democracy.

"If arrests will start again as under Rakosi," he said, "I will advocate the exercise of droit de resistance [right of resistance]."

The three articles by Mr. Nagy referred to in the Hungarian statement as proof that he was conspiring against Communist rule in Hungary appear to have been similarly distorted. The internal evidence in the statement indicates that the three articles referred to are chapters in the book, Imre Nagy on Communism, published here in English last year by Frederick A. Praeger. The authenticity of the book was acknowledged by the Hungarian Communists last year.

The effect of the statement's distortions is to make it appear that Mr. Nagy was an anti-Communist conspirator. The articles themselves show he was denouncing Stalin's treatment of the satellites and the personal dictatorship of Matyas Rakosi, the former head of the Hungarian Communists.

DETAILS OF THE ARTICLES

The statement charges that Mr. Nagy's essay, Morals and Ethics, called the people's democratic state order "a degenerated Bonapartist power" and incited to its overthrow by force. Actually Mr. Nagy labeled only the Rakosi dictatorship as "Bonapartist" and warned his comrades that they must liquidate that dictatorship in order to avoid a serious internal crisis that would threaten restoration of the old order.

In a second article Mr. Nagy is accused of seeking the nullification of the Warsaw Pact * * * and placing the country in the hands of the imperialists. Actually in this article Mr. Nagy called for strengthening Hungarian-Soviet relations by applying to Hungary the principles that had been accepted in the 1955 Belgrade declaration as governing Soviet-Yugoslav relations.

In the third article, Mr. Nagy is accused of having outlined the task of forming an alliance with the forces opposing the people's democracy and * * * the restoration of the multiparty system.

In the book published here, the article apparently referred to merely protests against the mechanical application of the Soviet pattern in every other Communist country. It urges that socialism in Hungary be built on a policy of persuasion rather than force so as to make the best impression for communism upon the widest possible section of the people of Western Europe.

Rather than being anti-Communist, the Nagy writings referred to in the statement indicate simply that he anticipated much of the partial repudiation of Stalinism enunciated by Nikita S. Khrushchev at the 20th Soviet Communist Party Congress in Moscow in February 1956.

[From the New York Times of June 19, 1958]

EISENHOWER CALLS NAGY EXECUTION SUMMIT OBSTACLE—SAYS ACTION SHOULD ALERT FREE WORLD ON MISTRUST OF COMMUNIST PLEDGES—NEGOTIATIONS IN DOUBT—PRESIDENT WILL CONSIDER ENDING HIS EXCHANGES OF NOTES WITH KHRUSHCHEV

WASHINGTON, JUNE 18—President Eisenhower said today the execution of Imre Nagy, former Hungarian Premier, had created a very great obstacle to negotiations for an East-West heads-of-government conference.

The President read a statement at the beginning of his news conference asserting that the execution of Mr. Nagy and Gen. Pal Maleter should alert the Free World to the lack of confidence we are compelled to feel in the words and actions of these Communist imperialists.

Meanwhile, State Department officials were studying the advisability of calling the United Nations General Assembly into special session.

President Eisenhower was asked at his news conference whether in view of the execution of Mr. Nagy and General Meleter and his latest letter from Nikita S. Khrushchev, Soviet Premier, there was any value in continuing correspondence with Mr. Khrushchev.

PRESIDENT TO REVIEW PLAN

He answered that he wanted to reconsider the problem again with his advisers.

"I do say that the whole thing has been a very great setback to my hopes," he observed.

But, in response to questions, the President indicated that he still favored giving economic aid to the Soviet satellites.

Such aid could set up "centrifugal as opposed to centripetal forces," he remarked. In the cases of Poland and Yugoslavia, it might strengthen "their independent action vis-a-vis the Soviets * * * awaken new interest in these countries to pull away from Moscow," he explained.

The President's formal statement on the execution of Mr. Nagy and General Maleter follows:

"I cannot think of any incident that could have, and has, more shocked the civilized world. These two men were not guilty of evildoing. They were fighting for their own country, to eliminate or to reduce the Communist domination by force of the country on the part of the Soviets. Good faith was violated in their execution, the story of which has just come to our attention in this country.

"It is clear evidence that the intent of the Soviets is to pursue their own policies of terror and intimidation in any way they choose, to bring about complete subservience to their will.

"I think there is no incident that should have more alerted the Free World to the lack of confidence that we are compelled to feel in the words and actions of these Communist imperialists."

MOSCOW CHIDES PRESIDENT

LONDON, June 18.—The Soviet Union charged tonight that President Eisenhower's condemnation of the execution of Imre Nagy was a new attempt to prevent a heads-of-government conference.

The Moscow radio, quoting Tass, official Soviet news agency, said United States "ruling circles" were "disappointed by the exposure and curbing of the activity of the reactionary agents of imperialist powers."

It said President Eisenhower's statement at his news conference showed the United States was using the Nagy case as a "pretext for a new exacerbation of relations with the countries of the Socialist camp and for new attempts to prevent a summit conference."

[From the New York Times of June 19, 1958]

NAGY'S EXECUTION SHOCKS NEW DELHI—REACTION OF PRESS IS BITTER—COLOMBO IS REVOLTED—SEATO WARNS ASIA

NEW DELHI, INDIA, June 18.—The execution of former Hungarian Premier Imre Nagy and three of his associates has shocked influential Indians in this capital and has brought bitter editorials against the Soviet Union.

Generally, Indian newspapers are cautious in their criticism of Moscow's policies, but in recent months they have published some strong words against the Kremlin.

An official said that the manner in which the Soviet Union had been dealing with Yugoslavia in the current ideological dispute added to the latest news from Moscow about the executions was bound to harm Soviet prestige in India and other Asian countries.

CALLS IT MURDER

The Hindustan Standard, published simultaneously in Delhi and Calcutta, termed the execution of Mr. Nagy "murder."

"Let us call things by their proper names," the paper said in an editorial, adding:

"The contempt with which world opinion has been treated by the Kremlin in this particular instance may not be missed by even those who viewed the sad events in Hungary in October 1956, with less than the accusatory cocksureness of Western capitals."

The editorial ended with this observation: "Why should communism at the height of its power in two continents be afraid of anything and anybody? Yet it apparently is. Of whom? The free man? Of what? The free mind?"

The Madras Hindu in a long editorial asserted it would not be too farfetched to presume that the Nagy execution had been "intended to serve notice to other Soviet bloc countries that Yugoslavia's example is dangerous."

The editorial continued: "The execution is really a political demonstration of Russian power and the intention of Moscow to maintain its hegemony over Eastern Europe."

HORROR AND DISGUST IN CEYLON

COLOMBO, CEYLON, June 18.—The press and public in Ceylon has reacted to the executions with horror and disgust.

Newspapers declared that the executions were a lesson not only for the peoples of Communist countries but also for those of smaller Asian nations.

The Ceylon Observer, referring in an editorial to "the brutish murder of these Hungarian nationalists," said there were political leaders in south Asia who believed that they too would be able to adapt communism to south Asia. The executions must show such Asian leaders that theirs is a forlorn hope, the paper said.

SEATO CHIEF IN WARNING

BANGKOK, THAILAND, June 18.—Nai Pote, Secretary General of the Southeast Asia Treaty Organization, issued an unusual statement condemning the secret trial and executions as "a warning against communism to the peoples of all small nations that if once they come under Communist rule there is no chance of the revival of freedom and independence."

"Any attempt to escape from Communist rule willl suffer the same consequence as befell the people of Hungary who tried to bring democracy and freedom to their nation," the statement said.

[From the New York Times of June 18, 1958]

YUGOSLAVS SEE PURGES

(By Elie Abel)

BELGRADE, YUGOSLAVIA, June 17.—In the opinion of informed Yugoslav Communists,

Eastern Europe may be entering on a new cycle of quasi-judicial bloodletting with the execution of Imre Nagy, Hungary's revolutionary Premier.

These sources made no effort today to hide their consternation. They saw an obvious parallel between the secret Nagy trial and the Stalin-managed purges of 1949 and 1950.

Then as now the Soviet Union was trying to isolate Yugoslavia and to extirpate Titoist influence in neighboring countries.

A high official of the Yugoslav Government said: "This act of violence will have far-reaching consequences. It shows how far the Soviet Union is prepared to go in its campaign to isolate Yugoslavia.

Then as now the campaign started with words. From words of abuse it led to acts of reprisal and then to killings on what in recent years were conceded to have been trumped-up charges of Titoism and treason. *This was the fate of* Laszlo Rajk in Hungary and of Traicho in Bulgaria.

Tonight the Belgrade party newspaper Borba printed on its front page a cartoon of Nikita S. Khrushchev talking to a portly Chinese who resembled Mao Tse-tung. "Well, who will be Beria?" the Soviet Premier was asking.

This was a biting satire on Mr. Khrushchev's tendency to blame Lavrenti P. Beria, former Soviet state security chief, for the Rajk trial and other acknowledged miscarriages of justice.

No one in authority here pretended to know who the next victims might be. Yugoslav Communists suggested that the Hungarian executions looked like the opening of a new and violent period in Eastern Europe. Pressure will be strongest in Poland, they predicted.

There was general indignation here over the official account of the Hungarian trials, which sought to implicate Yugoslavia in Mr. Nagy's supposed treachery. The communiqué charged that Mr. Nagy had continued his hostile activity while in the Yugoslavia Embassy where he received asylum when the Soviet Army overthrew the revolutionary Budapest regime.

Responsible informants said this accusation would certainly be answered and refuted officially. For the moment the Yugoslav Government remained silent.

The one man in Belgrade who knew exactly what Mr. Nagy had been doing within the walls of the Yugoslav Embassy was not talking to reporters. He was Dalibor Soldatic, Yugoslav Ambassador in Budapest at the time of the Hungarian revolt and now chief of protocol of the Foreign Ministry.

It was generally assumed here that the decision to try Mr. Nagy had been taken in Moscow, not in Budapest. Janos Kadar, himself a member of the Nagy government and first secretary of the Hungarian Communist Party during the revolt, is said to have been deeply involved in its decisions.

Some diplomats believed that Mr. Kadar's days might be numbered. When he visited Yugoslavia last March 27 for talks with President Tito the Hungarian party chief was said to have given his solemn word that Mr. Nagy would not be brought to trial.

On April 4, at a reception in the Hungarian Parliament, Mr. Kadar told foreign newsmen that the question of trying Mr. Nagy was neither urgent nor important.

[From the New York Times of June 18, 1958]

UNITED STATES CALLS NAGY EXECUTION SHOCKING ACT OF CRUELTY—DULLES VOICES CONCERN

(By Harry Schwartz)

WASHINGTON, June 17.—The State Department denounced tonight the executions of former Hungarian Premier Imre Nagy and his associates as a "shocking act of cruelty" and put "fundamental responsibility" for the action on the Soviet Union.

The strongly worded official statement hinted that the decision to execute the former Hungarian leader was taken last April during Premier Nikita S. Khrushchev's visit to Hungary.

The State Department noted that news of the executions, announced early today, came at a time when the Soviet Union rejected "international discussion of the plight of Hungary and Eastern Europe" as "unwarranted intervention in the internal affairs of these countries."

This reaffirmation of United States interest in discussing Eastern Europe at a summit meeting appears to confirm predictions that the executions would stiffen United States resistance to a summit meeting on Soviet terms.

At a news conference today, Secretary of State Dulles said the execution of Mr. Nagy indicated "another step in the reversion toward the brutal terrorist methods" of the Stalin regime.

Mr. Dulles recalled that Mr. Nagy had been arrested in violation of a pledge of safe conduct given him when he left his refuge in the Yugoslav Embassy in Budapest. The Secretary commented: "This is another illustration of some of the dangers of doing business with the Communists."

In his comment on the executions Mr. Dulles said:

"It, I think, indicated another step in the reversion toward the brutal terriorist methods which prevailed for a time under Stalin and which were so bitterly denounced at the 20th Communist Party conference by Mr. Khrushchev. Khrushchev rode to power on a denunciation of the methods of Stalin, which methods he seems now to be copying" (question 2, p. 14).

The Senate Republican leader, WILLIAM F. KNOWLAND, said the execution was another evidence that the West could not depend on Communist promises. On the Senate floor, legislators of both parties applauded the Republican leader's condemnation of the Soviet action.

RUMORS OF SOVIET TALKS

Diplomatic observers here were studying rumors that a meeting of the Soviet Communist Central Committee had been convened in Moscow. Those giving cautious credence to these reports noted that several of the Soviet Ambassadors called home last weekend were alternate members of the committee.

These observers said there was no information available here to suggest that Premier Nikita S. Khrushchev was in trouble.

There appeared to be agreement with Mr. Dulles' suggestions that the Nagy execution was intended as a warning to President Tito of Yugoslavia to end his heresies and that if the Hungarians actually had a role in the execution they were simply agents of Soviet will (questions 3 and 5).

Secretary Dulles said: "I believe that if the Hungarians had any part in it they were acting as agents carrying out the will of the Soviet Government" (question 3).

Mr. Dulles was asked when the execution and trial of Mr. Nagy had taken place (question 4).

He replied that it was "our presumption" that it occurred recently, and continued:

"The whole affair of the alleged trial and execution were carried out in complete secrecy with no opportunity for the executed persons to state their case before any court of world opinion or before the world press."

Observers studying the text of the Hungarian statement on the trial were inclined to judge it a fabrication of the sort common under Stalin.

They noted that it ignored or distorted certain facts, particularly that Mr. Nagy became Premier of Hungary on the first night of the revolt in October 1956 with the approval of the Hungarian Communists and of the Soviet Union.

The link between Mr. Nagy and the Yugoslav Government in the statement impressed observers here. The statement appears to imply that as early as January 1956 M. Nagy was carrying out the Yugoslav line by basing himself "on the pretext of eliminating the policy of blocs." Disapproval of the "policy of blocs" is a cardinal point of Yugoslav ideology.

The charge that the Yugoslavs supported Mr. Nagy's alleged plotting is put even more clearly in the declaration that the anti-Soviet leaders sought refuge "where they had formerly received support." This is followed by the assertion that Mr. Nagy and some of his associates who "had previously come forward under the pirate flag of national communism escaped to the Yugoslav Embassy in Budapest."

[From the New York Times of June 19, 1958]

FRANCE ANGERED BY NAGY KILLINGS—SAYS NOTHING COULD JUSTIFY THEM—ITALY RECALLS HER ENVOY—BONN HORRIFIED

(By Robert C. Doty)

PARIS, June 18.—The execution of four leaders of the 1956 Hungarian revolt has produced in France a wave of indignation almost as intense as that provoked by the Soviet Army repression in Budapest 20 months ago.

The French Government, in an unusually outspoken statement, called the executions of former Premier Imre Nagy, Gen. Pal Maleter and two others an action that nothing could justify.

Even normally pro-Communist individuals and organizations contributed to a flood of declarations condemning the Hungarian Government, which carried out the executions, and the Soviet regime, which clearly approved and observers believed, probably ordered them.

Beyond the wave of protest, diplomatic sources studied the incident carefully and read in it both a challenge and an opportunity for the West.

NATURE OF THE CHALLENGE

The challenge was to resist the temptation to break off negotiations for a summit conference of the leaders of the Western and Soviet blocs and do nothing anywhere in the world that could serve to dilute the general upsurge of anti-Soviet feeling.

The opportunity was to exploit the isolation of the Soviet bloc resulting from the disapprobation of the executions that has been expressed even by such traditional neutralists as Prime Minister Jawaharlal Nehru of India and spokesmen for the Yugoslav Government.

Notably, the leaders of the Western alliance appear to have an opportunity to demonstrate to those hesitating in the ranks, such as the Scandinavian countries, justification for their cautious approach to talks with the Soviet leaders.

The new evidence presented by the executions that the Soviet Premier Nikita S. Khrushchev is, in the last analysis, a Stalinist behind his propaganda for relaxation of tensions, should be used to convince the entire Western World of the wisdom of the cautious diplomatic course followed by Secretary of State Dulles, it is contended.

The revulsion against the Soviet-Hungarian action, in the view of French experts, should permit the Atlantic alliance to weaken the Soviet position in those parts of the world—the Middle East and southeast Asia—where the Kremlin's propaganda and economic offensives have had the greatest recent successes.

ESSENTIAL CONDITION SEEN

But an essential condition for such a campaign is held to be that the West take no action anywhere that might serve to confuse the issues. In November 1956, it was recalled, although not specifically in French diplomatic quarters, the British-French in-

vasion of Egypt, coinciding with the Soviet armed repression of the Hungarian rebellion, served to undermine the moral position of the West in condemning the Soviet intervention.

In the present circumstances an armed Western intervention in the civil war in Lebanon would have a similar effect, it is felt.

At the same time, concern was expressed here lest such intervention serve again as a pretext for the United Arab Republic and other Arab states to cut the oil pipelines carrying an important share of Europe's oil supply through Lebanon and for a new boycott of Western trade.

The experience of Suez proves, in the French official view, that neither French, British or United States public opinion is ready to run such risks.

THE OFFICIAL STATEMENT

The official French statement on the Hungarian executions, issued by a Foreign Ministry spokesman, declared:

"The execution of Imre Nagy and General Pal Maleter and their companions is an act that nothing could justify.

"The secrecy of the trial, the pretense of juridical justification grossly contrary to the facts recognized by a large majority of the member states of the United Nations, mark a return to the worst Stalinist methods, which had been condemned by the leaders of the U. S. S. R. and the people's democracies themselves.

"Imre Nagy and his companions have been executed for having tried to give their country a regime in which the people would have had the right to express itself and for having chosen national independence.

"The French Government considers that the execution of these courageous and independent men is an event of extreme gravity whose consequences will be profound."

Similar condemnations flowed from literally scores of French individuals and organizations and were reiterated in editorials in most French newspapers. The lone exceptions were L'Humanité, the French Communist organ, and Liberation, a fellow-traveling paper.

But even Liberation followed its version of the Hungarian communique with a listing of protests by French and foreign spokesmen and its editor, Emmanuel d'Astier, joined nine other leftists in signing a cablegram to the Hungarian Government expressing shock and surprise at the action.

ROME JUST SHORT OF BREAK

ROME, June 18.—Italy stopped only one step short of breaking off diplomatic relations with Hungary today as a sign of the horror with which she heard that Imre Nagy, Gen. Pal Maleter and other Hungarian rebels had been executed.

While all but the extreme Left cheered, Foreign Minister Giuseppe Pella told the Senate and the Chamber of Deputies that he had called the Italian Minister in Budapest back to Rome and had refused to give the Italian Government's consent to the appointment of a new Hungarian Minister in Rome.

The Italian legation in Budapest and the Hungarian legation in Rome are therefore, temporarily at least, entrusted to chargés d'affaires.

WEST GERMANS INDIGNANT

BONN, GERMANY, June 18.—The West German Government said today that the execution of Imre Nagy had pointed up the dangers of trying to do business with Communist governments.

A statement drawn up at a cabinet meeting said that the Government shared the indignation and horror aroused in the German people and all the Free World by the announcement of the execution of the former Hungarian Premier and three of his colleagues.

"The fact of the clear breaking of faith with which these executions are connected revives all the doubts that the Free World has had as a result of previous bad experiences in arrangements with Bolshevik countries," the statement said.

"The Federal Government draws the conclusion that, despite its readiness to reach understandings, it dare not neglect its alertness or defense preparedness."

The grim last chapter in the record of the 1956 Hungarian uprising will not affect West German policy in individual matters involving Communist-governed countries, a spokesman told reporters. He referred specifically to Poland, with which Bonn hopes gradually to iron out old enmities.

The announcement of the executions caused the West German Parliament again to back off from the invitation to send a delegation to Moscow.

Will Rasner, the Christian Democratic Union's whip, announced that his majority party had voted in caucus to pigeonhole the 2-year-old invitation of the Supreme Soviet (Parliament). Only last month it was tentatively agreed to send an all-party parliamentary delegation to Moscow in the autumn.

The West German press reacted bitterly to the news of the executions.

[From the New York Times of June 19, 1958]

UNITED STATES ASKS U. N. UNIT MEET ON HUNGARY—WANTS SPECIAL COMMITTEE TO RESUME INVESTIGATION OF SOVIET INFLUENCE

(By Lindesay Parrott)

UNITED NATIONS, N. Y., June 18.—The United States has started a move for further United Nations action on Hungary as a result of the execution of former Premier Imre Nagy.

Diplomatic sources said today that the United States was seeking a new meeting of the five-nation committee appointed by the General Assembly last year to follow Hungarian developments. Contact was understood to have been made with E. Ronald Walker, of Australia, acting chairman of the committee.

Another call for United Nations action came from Cuba. Ambassador Emilio Nuñez-Portuondo asked that steps be taken immediately. He did not specify what move might be made.

The execution of Premier Nagy and Gen. Pal Maleter, Hungarian revolution military leader, confirm the accuracy of the accusations I have been making for years against the Soviet Union, the Cuban envoy's statement said.

It added that Nikita S. Khrushchev, Soviet Premier, "has been demonstrated to be as criminal as was Stalin." "They are two of a kind," the statement asserted.

The United Nations Committee on Hungary was appointed in January 1957, to investigate and report on Soviet suppression of the Hungarian uprising.

Its findings sharply condemned the Soviet intervention and, although its function thus was ostensibly accomplished, it was not discharged from duty. Presumably, it could be called together again for further consideration of the problem, under its original mandate.

Diplomatic sources here did not say what a new meeting of the five-nation group might accomplish. They noted, however, that the United States, as far back as December 1957 had announced the intention of calling for a special session of the General Assembly on Hungary should the circumstances warrant it.

ENTRY TO HUNGARY BARRED

During the intervening period, Prince Wan Waithayakon of Thailand, named by the Assembly as its own representative in the Hungarian issue, has been unable to visit either Hungary or the Soviet Union in discharge of his mission.

How quickly the committee on Hungary could meet or what it could do about the executions was uncertain. Two members are in the United States. They are Dr. Walker and Mongi Slim, Ambassador of Tunisia.

The chairman, Alsing Andersen, of Denmark, is in Copenhagen. Some sources here said he would be willing to come to United Nations headquarters promptly. Of the two other members, R. S. S. Gunewardene, of Ceylon, is in London, and Enrique Rodriguez Fabregat, of Uruguay, is expected to come to the United States this week.

ANNA KETHLY APPEALS TO U. N.

COPENHAGEN, DENMARK, June 18.—Anna Kethly, a member of the government of Imre Nagy, sent a cablegram to Mr. Andersen today, requesting that the United Nations Committee on Hungary be summoned to inquire into the trial and execution of Mr. Nagy and others.

It is doubtful what can be done, because the committee's powers are limited, Mr. Andersen said. However, he promised that an investigation would be made.

Mr. HUMPHREY. Mr. President, I, too, hope that other free parliaments throughout the world will demonstrate by affirmative action and official resolution their reaction to this cruelty. The Soviet Union has again increased world tension while talking about reducing them.

Mr. KNOWLAND subsequently said: Mr. President, I ask unanimous consent to have printed in the body of the RECORD, following remarks made earlier relative to the execution of Premier Nagy, General Maleter, and others, and when the Senate was discussing the resolution which will be voted upon by a yea and nay vote later this afternoon, a pamphlet which has been supplied by a group of Hungarian students, and which is entitled, "The Man and the Idea."

The distinguished junior Senator from Minnesota [Mr. HUMPHREY] and I were in the office of the Vice President of the United States with this group of Hungarian students, who presented the booklet to us. I think Senators will find the contents of the booklet to be of great interest, especially since the Senate is about to vote on the resolution.

I hope the resolution will be unanimously approved by Republicans and Democrats alike, as an expression of our shock at the action which was taken recently in Hungary.

The PRESIDING OFFICER. Is there objection to the request of the Senator from California?

There being no objection, the pamphlet was ordered to be printed in the RECORD, as follows:

THE MAN AND THE IDEA

Imre Nagy, whose secret trial and execution was announced early today by the Hungarian regime of Janos Kadar, was premier of his country during the heroic 1956 uprising of the Hungarian people against a decade of Soviet totalitarianism, intimidation, and exploitation.

Who was this man? What did he stand for?

Nagy was a Communist; he was a veteran Bolshevik. Born in 1896, he fought in the Russian Revolution of 1917 which carried Lenin to power and brought the Soviet Union

into being. He participated in the short-lived regime of Bela Kun which seized power in Hungary in March 1919. After the end of this desperate and ill-fated attempt to impose the Communist system on the Hungarian people, Nagy spent 15 years in the Soviet Union, studying agricultural problems and making propaganda broadcasts to his native country.

When the Red army occupied Hungary at the end of World War II, Imre Nagy returned, first to become Minister of Agriculture (1944–45) and then Minister of the Interior (1945–46). He again served as Minister of State in 1952–53 and, following the death of Josef Stalin, became Hungarian Prime Minister on July 4, 1953.

So far his career was not untypical of the hundreds of Kremlin agents who flooded into Hungary after World War II. But Nagy was an original thinker and a brave man.

During the next 2 years Nagy spearheaded a program designed to bring about a liberalization in all spheres of Hungarian national life. This program, coming in the wake of the dogmatism and brutality of the Stalin era, looked toward a slowdown in forced industrialization, decollectivization of agriculture, an increase in private trade, greater freedom of literary and artistic expression, an end to political internment and deportation, and the reassertion of Hungarian national pride and dignity.

Because of the mortal danger which this program of national communism posed to Soviet imperialism and totalitarianism, Nagy was removed from the government and expelled from the Hungarian Communist Party in 1955. He was recalled only when the revolt had begun, as the only Communist who had the respect and trust of the Hungarian people. He resumed the premiership again on October 24, 1956, and held that position until November 4, 1956 when the revolution was crushed by the Red army.

Nagy sought and received asylum at the Yugoslav Embassy in Budapest. In doing so, Nagy was fleeing not from his people, nor even the communism, but from the vengeance of the Kremlin.

On November 22, 1956, Imre Nagy left the Yugoslav Embassy in Budapest under a safe-conduct pass solemnly issued by the Kadar regime. Today, Nagy is dead, secretly executed by that very regime.

In a radio address on November 26, 1956, Janos Kadar, the puppet chief of the Hungarian state, had declared: "* * * taking into consideration the original wish of Imre Nagy and his companions we have made it possible that they leave the territory of the Hungarian People's Republic. * * * We have promised that we would not start criminal proceedings against them. * * * We shall keep our promise" (Nepszava (Budapest), November 27, 1956).

Nagy and his companions returned to Hungary, but only for secret trial and summary execution.

Imre Nagy, one symbol of Hungarian aspirations and revolutionary hopes, is dead; but what the machinery of communism has really tried to kill is not so much a man or group of men as it is a body of ideas and points of view.

Nagy, in other words, was no ordinary Communist. He was a patriot and a decent human being. He espoused Marxism, but he could not accept the grotesque ideology implemented by Josef Stalin and only slightly less so by Stalin's heirs.

Above all, Nagy believed in national independence and freedom even under a Communist system. He believed that the principles of coexistence "* * * cannot be limited to the capitalist system or to the battle between the two systems, but must also extend to relations between the countries within the democratic and socialist (i. e., Communist) camp."[1]

Though Marxist in orientation, Nagy was no authoritarian. He asked that national aspirations, both political and cultural, be allowed free development within the Soviet orbit. He said:

"I do not deny my Hungarian nationality and ardently love my Hungarian homeland and my Hungarian people. True patriotism, together with love and respect for other peoples and nations, is the basis and essence of proletarian internationalism."

For a Communist, much courage, integrity, and independence of thought were needed to go this far and to speak as plainly. But Imre Nagy went even further. He rejected the Stalinist concept of an authoritarian, arbitrary, and autocratic party. He insisted that—

"The party of the working people which stands at the head of the nation and leads it toward Socialist society must be the embodiment of social ethics and morals and must unite within itself all the moral virtues and values which our people have evolved in the course of their historical development and which constitute our heritage. * * * The degeneration of power and the moral crisis of social life are indicated by the number of persons at present [December 1955] imprisoned, which is greater than ever before; the number of persons sentenced is so excessive that many thousands cannot begin to serve their sentences because of lack of space. But the most alarming fact is that the majority of those convicted come from the ranks of the working force, are industrial workers."

Imre Nagy is the victim of judicial murder. He was killed, however, less for what he did than what he believed. His crime, essentially, was that he took the pretentious and public protestations of communism seriously.

He did not believe that poverty and human misery should be the fruits of communism.

He did not believe that nations should be subjugated in the name of communism.

He did not believe that workers should be exploited in the name of communism.

He did not believe that the building of a socialist society required dictatorship, brutality, and a total lack of conscience.

He went on record to say that "One of the causes of the ethical and moral crisis in [Communist] social life is the attitude of the leading organs of government, of society and of the party, all of which in the last 10 years flouted, underestimated, and failed to do anything about this matter, so vital to our social development. * * * They completely forgot about living society, about man with his manifold, complicated individual as well as social relations, at the core of which are ethical and moral problems."

In short, Imre Nagy was killed not only because of his role in the Hungarian revolt; not only because he appealed for the withdrawal of Soviet forces from the territory of a small and courageous nation; not only because he envoked the aid of the United Nations; not only because he vainly attempted to lead his country out of military alliance with the Soviet Union.

Imre Nagy perished for reasons more fundamental. His crime consisted of an attempt to inject a measure of humanism, an ounce of decency, and a bare minimum of justice, into the Communist system.

Mr. NEUBERGER. Mr. President, I should like to have the attention of the distinguished Senator from California, if I may, during my very brief remarks. I favor the resolution; but I should like to call to the attention of the distinguished sponsors of the resolution—which of course I support in full—that very often in the Senate we unfortunately have a tendency to substitute words for deeds.

There is nothing at all we can do to bring back to life the unfortunate Hungarian martyrs after their barbaric execution by the puppets of the Soviet Union.

However, I wish to remind the Senate of the fact that there are hundreds of thousands of refugees still unsettled in Europe. In fact, there are some 200,000 such refugees, who are homeless in Europe, and many of them are the brave people who revolted in Hungary.

I am informed by the Zellerbach Commission on International Refugees, headed by Mr. Harold Zellerbach, who is a distinguished constituent of the Senator from California, that the unwillingness of the United States to accept its fair proportionate share of these refugees, based on the population and wealth of our country, discourages other Hungarians from seeking freedom.

We in the Senate have a tendency very often to substitute oratory for action. Unfortunately, brave men cannot take our speeches and fight with them against Soviet tanks. If we wish to erect a memorial to these gallant martyrs to Hungarian freedom and Hungarian patriotism, who have been executed by the puppets of the Soviet Union, we should take into our country, with the hope that eventually they would become citizens of it, the unfortunate and distressed and homeless refugees from Hungary, whom we have not accepted in the proportionate share that the United States, based on population and wealth, should take. I call attention to the recommendation of the Zellerbach Commission in this respect, and I ask unanimous consent to place in the RECORD the letter and memorandum I received from the commission on June 6, 1958.

There being no objection, the letter and memorandum was ordered to be printed in the RECORD, as follows:

THE ZELLERBACH
COMMISSION ON THE
EUROPEAN REFUGEE SITUATION,
New York, N. Y., June 6, 1958.

Senator RICHARD NEUBERGER,
United States Senate,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR NEUBERGER: On May 15–16 four of the members of the Zellerbach Commission—Hon. Angier Biddle Duke, Mr. Eugene Lyons, Mrs. David Levy, and myself—visited Washington to urge the early passage of legislation admitting 75,000 Iron Curtain refugees to this country over the next 2-year period, plus an international crash program to liquidate the entire residual refugee problem in Europe. During our 2-day stay in Washington, we were able to discuss our proposals with representatives of the White House, the Department of State, and the United States escapee program, and with a number of Congressional leaders particularly concerned with the problem.

[1] This and following quotations are from Imre Nagy's political "testament."

For your information, I am enclosing an outline of the special legislation we are proposing.

Our commission is convinced that the time for action on the refugee problem is now. Delay of another year or two while we make up our minds would be bad politically, needlessly cruel to a lot of people who have suffered for our common cause, and, on top of this, would impose heavy additional costs, in dollars and cents, on the American taxpayer and on our friends in Europe.

On behalf of the members of the Zellerbach Commission, may I solicit your careful consideration for the proposals we have made? The Soviets are stirring up trouble at every point—and there are many points where we cannot effectively respond because we cannot control the situation. Here, however, is one instance where we could take a meaningful political initiative—one that would be applauded by our friends in Europe and even by the neutrals—without any danger that the Soviets will "intercept the ball." The power of decision is entirely ours, the control within our grasp. It is our earnest hope that we will seize this opportunity intelligently and expeditiously.

Sincerely yours,

HAROLD L. ZELLERBACH.

PROPOSALS OF THE ZELLERBACH COMMISSION ON THE EUROPEAN REFUGEE SITUATION, MAY 15, 1958

(The Zellerbach Commission prepared its initial study of the European refugee situation in October-November 1957. Since that time it has given continuing consideration to the refugee problem. The legislative proposals which follow are intended primarily as an outline of those basic measures which, the commission is convinced, are essential to a solution of the problem. These suggestions must be carefully weighed by Congress. It is the commission's hope, nevertheless, that Congress will be able to move to the early enactment of legislation embracing the essential aspects of its proposals.)

PREFACE

1. There are in Europe today some 200,000 refugees who escaped from behind the Iron Curtain at various times since the end of World War II, and who still remain homeless. These human beings, who sacrificed everything they possessed to come over to our side, constitute a living refutation of the Communist lie. Moreover, they had heard the eloquent descriptions of freedom and justice conveyed by the Voice of America, Radio Free Europe, and other Western transmitters; and they had risked all to come over to our side in the hope that they would find the freedom described by our spokesmen. It remains for the Free World to fulfill their hopes.

2. The great majority of the refugees are able-bodied and willing to work, and capable of becoming producing members of society. But even in the case of the so-called difficult to resettle categories, the experience of the Scandinavian countries and the Low countries and of other initiatives on behalf of this hard core has demonstrated that with special effort and with a small initial investment of money, a substantial majority of them can be made economically self-supporting.

3. On an average, since World War II we have welcomed to our country approximately 60,000 refugees and displaced persons per year. In addition to the direct benefits to the human resources of the United States, this has indirectly benefited us by relieving ourselves and our friends of the substantial economic burden of maintaining these escapees at an estimated annual cost of $475 per person per year pending their resettlement.

Moreover, the cost of their continued maintenance is not measured in dollars alone. Apart from the inevitable deterioration in the skills and in the morale of Iron Curtain escapees, their continued existence without homes or a permanent haven provides grist for the Communist propaganda mill.

4. In the aftermath of the Hungarian revolution, the Western nations, by dint of an unprecedented common effort, were able to resettle more than 170,000 refugees over an 8-month period. There were, all told, almost exactly 200,000 Hungarian refugees. The number of stateless refugees in Europe today is perhaps just under 200,000. There is every reason to believe, therefore, that an effort of comparable magnitude on the part of the Western World could liquidate the residual refugee problem in Europe in 2 years or less.

5. Action over the next 2 years can best be accomplished in an orderly way by mutual agreement among the nations most concerned with the problem: Those countries in free Europe which bear the immediate burden as a result of having received these escapees and those countries which have provided and will probably continue to provide resettlement opportunities for the greater part of the refugees. These nations, it is proposed, should come together in a special conference and agree upon a plan to clear up the problem at an early date, through the voluntary acceptance by each nation of a specific quota of responsibility.

6. The legislation which follows envisages a united attack on the residual refugee problem by the Western nations most actively concerned, in collaboration with ICEM and UNHCR.

(A) The proposal for the initial admission of 75,000 stateless refugees over a 2-year period represents an assessment of the responsibility which the United States should be prepared to assume to this end. The enactment of legislation should precede the convening of the proposed conference, on the one hand, so that commitments by the United States delegation can be founded upon clear legislative intent, on the other hand because it would constitute an act of moral leadership and political initiative which would insure the success of the conference.

(B) The proposal that the 75,000 admissions include 5,000 hard-core refugees (or difficult-to-resettle refugees, as they are now defined) is inspired by the highly successful humanitarian precedents established by the Scandinavian countries, and Belgium, Holland, and Switzerland, in arranging rehabilitation for the aged, the tubercular, the blind, and other categories of hard-core refugees. The hard-core refugees admissible under the proposed legislation would be confined to those categories which, either as individuals or as family units, can, with special effort, be made economically self-supporting. Since permanent institutionalization is much cheaper in Europe than it is here, the legislation does not propose the admission of those refugees who cannot, in the opinion of the interested agencies, be retrained for gainful employment or are not members of families capable of economic rehabilitation as a unit.

7. The liquidation of the refugee backlog would make it possible to deal with the future refugee situation on a current basis. Short of another explosion like the Hungarian revolution, the annual rate of escape from Communist Europe would probably not exceed the recent rate of 25,000 to 30,000 per annum. The West does not actively encourage defection—it is the tyranny of communism which impels men to make the break. But at the same time, it is in the interest of the West not to discourage defection, especially the defection of people with brains and ability. The refugee backlog acts as a deterrent to defection because it makes a long waiting period unavoidable for the refugees. Potential defectors with brains and ability are, by definition, people who think and read and listen to broadcasts. The knowledge that he and his family may have to wait 2, 3, or 4 years in a place like Camp Valka has unquestionably discouraged more than one potential defector from making the break for freedom. If those who escape could be processed quickly without having to take their place in a massive queue, this news, too, would filter back behind the Iron Curtain and would serve as a source of encouragement and inspiration to those who yearn for freedom.

To cope with the continuing refugee problem once the residual problem has been liquidated, the legislation provides that, for an experimental period of 2 years, 35,000 refugees per annum be admitted, this number to be flexibly allocated between stateless refugees, ethnic refugees, and other refugees, in the light of the changing political situation in Europe.

8. The provisions of this legislation are both simple and realistic. But, beyond this, they are in harmony with the American tradition and they serve the national interest by insuring ultimate financial economies, by adding to our productive manpower, by strengthening our position in the cold war, and by again placing us in a position of moral leadership.

PROVISIONS OF PROPOSED LEGISLATION

1. (a) Authorization for the issuance of 75,000 special nonquota immigrant visas during the next 2 years to aliens who are refugee-escapees as defined below, provided that 5,000 such visas shall be reserved for nonsettled hard-core refugees as defined below, notwithstanding any provision of law excluding aliens for physical or mental disability; and provided further that any special nonquota visa issued pursuant to Public Law 85-316, after the beginning of this program shall be charged against the visas provided for herein.

(b) Authorization for the issuance of 35,000 special nonquota immigrant visas per year for the third and fourth years of this program to aliens who are refugee-escapees as defined below, and to other stateless persons, and to German, Austrian, Italian, and Greek ethnic refugees.

2. Definitions:

(a) "Refugee-escapee" means any alien of European descent in Europe who, because of persecution or fear of persecution on account of race, religion, or political opinion, has fled or shall flee (A) from any Communist, Communist-dominated, or Communist-occupied area, or (B) from other countries or areas in which forces inimical to the Free World are at work, and who cannot return to such area, or to such country, on account of race, religion, or political opinion.

(b) "Nonsettled hard-core refugee" means any refugee-escapee listed as a nonsettled hard-core refugee by the Office of the United Nations High Commissioner for Refugees, including those who suffer from conditions not responsive to treatment and requiring institutionalization, provided that appropriate safeguards have been assured to prevent such alien from becoming a public charge.

(c) The allotments provided in section 1 hereof shall be available for the issuance of special nonquota immigrant visas to the spouses and unmarried sons and daughters under 21 years of age, including stepsons and stepdaughters, and sons or daughters adopted prior to the enactment hereof, of persons referred to in section 1.

(d) The words "in Europe" in (a) (A) above shall not apply so as to exclude otherwise-qualified refugee-escapees of European descent who are located in other areas of asylum.

(e) The words "appropriate safeguards" in (b) above shall not be deemed necessarily to require public charge bonds, but such requirement of safeguards may be satisfied by reliance upon the earning potential of the family unit including the certified alien, or by the utilization of a resettlement grant pursuant to section 3 below, payable through accredited voluntary agencies or by undertakings for care or support from other sources.

3. Authorization for the appropriation during the first 2 years of this program of $5 million to be disbursed through accredited voluntary agencies for the purpose of carrying out the resettlement, including care and rehabilitation, of nonsettled hard-core refugees in the United States and elsewhere; and for the appropriation of such other funds as may be necessary to carry out the purposes of this program.

4. Direction to the Secretary of State to convene an international conference of the major countries of reception and resettlement together with intergovernmental organizations concerned with refugee-escapees for the purpose of working out an early solution of the residual refugee-escapee problem in Europe and the voluntary sharing of future responsibilities by the participating nations to this end.

Mr. BRIDGES. Mr. President, the secret trial and execution of the former Premier of Hungary and his associates once again exposes the system of terror and bloodshed by which Soviet Russia hopes to dominate the world.

International Communists present themselves before the world as smiling, respectable people, but then, periodically, they drop their sweet-smiling act and show their true colors.

World communism cannot escape from its major political weapon—the purge. Whether this is the beginning of a new series, I do not know. However, I do know, Mr. President, that this latest shocking betrayal by the Russians serves as a sober reminder of the nature of communism. The effect of this quasi-legal killing, after a solemn promise by the Russian Government that the former revolutionary Hungarian Premier would be spared, should, I hope, alert the nations of Asia and Africa to the real danger they face when wooed by the Communists.

Mr. President, the people of Hungary furnish us an example of Soviet untrustworthiness.

By these killings, the citizens of the United States again can take stock of a Soviet Government which has been attempting since last December, through a series of propaganda-filled letters, to lull us into a summit meeting for their own purpose.

I strongly endorse Senate Concurrent Resolution 94, cosponsored by the senior Senator from California [Mr. KNOWLAND] and the junior Senator from Minnesota [Mr. HUMPHREY], a resolution which condemns this latest act of perfidy and expresses the revulsion of the Congress of the United States.

PROPOSED SCHOOL ASSISTANCE ACT OF 1958

Mr. MURRAY. Mr. President, last fall, the Free World was shocked by the successful launching of an earth satellite by the Soviet Union. As a result, the attention of the American people has been focused, as seldom before in our history, on the importance of education. For years, the voices of our educators and parents have fallen on too many deaf ears here in the halls of Congress, despite their efforts to interest us in the increasingly critical plight of our public schools.

A cursory glance at the amount of proposed legislation aimed at educational improvement introduced in the early sessions of this Congress will show that, in response to the frightened concern of the American people, their elected representatives at long last seemed disposed to accept the Federal Government's responsibility for improving the education of all our people. Those of us who for many years have attempted to induce our colleagues here to provide more financial assistance to the States in their efforts to finance an adequate educational program at all levels were heartened indeed at this interest.

At long last, it appeared that the artificial straw men of Federal control, separation of church and state, racial integration, and all the other emotionally appealing but unfounded deterrents to Federal support for education would be overshadowed by the Soviet satellite. At last, it seemed, Congress was finally going to do what the vast majority of its constituents have long favored—provide for adequate financial support for education. Even the President, finally realizing that his own college education had been entirely at the expense of the Federal Government, with considerable benefit both to the country and the individual, cautiously proposed a meager program of scholarships—less than 1 per high school, actually—for deserving college students.

I am happy that my colleague, Senator HILL, with his usual broad vision, proposed a much greater program of this type. I support wholeheartedly his position on scholarships and testing programs, and urge as strongly as I can that we concur with his recommendations. The experience of this Nation through the GI education bill is eloquent proof of the value of investing part of the Nation's wealth in the minds of our colleage-age youth. The benefits to the individuals are no greater than the benefit to the Nation and the Free World.

The ridiculous charge that accepting a Federal scholarship will make the recipient a ward of the Federal Government falls of its own weight when one considers the millions of veterans who received their college education under the GI bill of rights.

But salving our consciences—which should be hurting us if they are not—by providing a comparatively few scholarships and fellowships is no answer to the problems facing education today. One of the major domestic problems facing America is the plight of our public schools. We can all point with justifiable pride to thousands of fine school systems in America in communities where local resources, sound educational leadership, and willing sacrifices on the part of the local public have provided good schools for the children fortunate enough to live in these areas. There are many such school systems in my State of Montana, just as there are in each of the other States and Territories. I am sure all of you are aware that many of these programs are as good as they are because of Federal financial support for vocational education, and more recently through Public Laws 815 and 874, which have since 1950 provided over $1½ billion to local schools in federally impacted areas.

Each of us, however, must be equally aware that in each of our States—and none is exempt—there exist school systems which, because of lack of local and State resources, are unable to provide the kind of education each American child deserves as his birthright. Inability to pay teachers' salaries makes it close to impossible for such communities to recruit and retain even mediocre teachers, much less good ones. Some schools pay as low as $1,107 to the persons they employ to guide the education of our children. The average salary for all teachers last year was $4,520. Considering that some systems pay as high as $10,000 to well-trained, experienced teachers, it is easy to see that there are a great many—nearly 60 percent—working for considerably less than the national average. Obviously, such deplorable salaries are not going to recruit enough young people into teaching, and are not adequate to retain all of the good teachers we now have.

In almost every instance where teachers' salaries are low, school plant facilities and instructional materials are far below standard. Seven million children are attending urban elementary schools in overcrowded classrooms. Each year this condition grows worse. The best teacher in the world cannot teach in such situations. Certainly she cannot be expected to give each child the special attention his talents and problems deserve. Frequently teachers leave the profession—even the fairly well paid ones do—in frustrated disgust at their inability to cope with an overcrowded classroom. I am personally convinced that expanded school facilities are equally as important as better-paid teachers if the quality of education is to be improved.

Aside from the injustice of forcing young children to spend three-fourths of their days during their formative years in unsafe, unsanitary, poorly lighted, inadequately ventilated firetraps, it is a criminal waste of the Nation's greatest resource—the potential learning power of each child—as well as a waste of taxpayers' money.

In addition to these 7 million neglected children, there are an estimated 800,000 who are attending school only half-days. Thousands of these are now entering high school, never having attended a full day of school in their lives. To say to these children that they may, if they survive this kind of treatment, compete for college scholarships with their more fortunate compatriots from good schools, is adding insult to injury. And yet among this group of innocent victims may be the potential scientist or doctor who finds a cure for cancer or heart disease, a potential statesman who will find the key to true and lasting world peace, the religious leader who inspires

his fellow men to live as God wants them to live, the great teacher whose inspiration to his students will make them all good and active citizens. These and thousands of other vitally needed skilled artisans and professional people of the future are being lost to America and to the world because we are contributing to their loss of educational opportunity by failing to help provide the kind of schools and teachers they deserve.

Those who hold up their hands in pious horror at the thought of the Federal Government being concerned about the education of its citizens should look at the record of this great Nation and the recommendations of its leaders. George Washington, in his first annual address to Congress, stated that—

> There is nothing which can better deserve your patronage than the promotion of science and literature.

Alexander Hamilton, the darling of present-day conservatives, in 1791 said that whatever concerns the general interests of learning was within the Federal jurisdiction "as far as regards an application of money." Thomas Jefferson recommended that Congress appropriate public lands for the support of education—and, as we know, his advice in this respect was heeded then as well as later. In 1837 Congress distributed the surplus revenues in the National Treasury—$28 million, in those days a magnificent sum—to the States for education.

In more recent times, President Hoover's National Advisory Committee on Education in 1931 pointed out that—

> From the Revolution to the Civil War the Federal Government encouraged and financially aided education in the States. It endowed higher and common schools with lands and made grants of surplus tax moneys; but it did not attempt to regulate the purposes, define the programs, supervise the teaching or otherwise control public education in the States.

Vocational education, federally aided financially since 1918, has proved immeasurably valuable to the economy and efficiency of our industrial and farming population. Many of you will recall the hundreds of millions of dollars provided by the Federal Government during World War II for educational activities, including aid to the States for elementary and secondary education. Seven million five hundred thousand persons were trained for defense and war-production employment. There is no question but that our industrial know-how was crucial to our winning of the war. And education was recognized as basic to industrial know-how.

All of these programs and many more were accomplished with Federal assistance, but without Federal control. They were recognized as fitting and proper expenditures of Federal funds. The straw man of Federal control has been foisted off on too many of us by the same type of Madison Avenue technique that sells filtered cigarettes—keep saying it often enough and it will be accepted as fact. In 1943 the Senate Committee on Education and Labor stated that it "finds that the experience of the State and Federal Governments in connection with Federal aid for educational purposes under Federal provisions for land-grant colleges and vocational education demonstrates clearly that Federal aid for education can be had without interference with the internal affairs of public education."

In 1957 President Eisenhower's Committee on Education Beyond the High School stated:

> Over the last 100 years many Federal programs have evolved. There is little evidence that any of these has led to undue Federal interference.

The bugaboo of Federal control is only a figment of the fertile imaginations of those who will go to any lengths in their hysterical efforts to deprive American children of their heritage. One wonders why they fear an educated citizenry. I think it is because an educated man can think, and as the dictator Caesar said of Cassius, "Such men are dangerous"—dangerous to tyrants, of course.

That the Federal Government has a proper role to play in financing education is easily understood if one will take an objective look at the Nation as a whole. Because of wide variation among the States in regard to wealth from natural and economic resources contained within the States, there is a tremendous discrepancy in ability to pay for essential services such as schools.

But the fact that a child's parents live in a State which has inadequate resources to provide an education, despite a tremendous effort on the part of its taxpayers to meet this obligation, is no reason for the child to be deprived of a good school. This child is a citizen, not only of his local community and of his State but of the United States as well, and each segment of government has a continuing responsibility to him. The statistics on migration show that in 1 year alone—1955—over 33 million people moved to different localities. Five million of these moved to different States. In 1950 more than 25 percent of the people of continental United States lived in States other than those in which they were born. The receiving States have a deep concern as to the kind of education these new residents received as children in their native States. The correlation between poor education and poverty, disease, and delinquency is an accepted fact. It is not only a matter of community concern; it is a major matter of national concern.

Economically, our Nation is suffering unemployment of disturbing proportions. Yet there is a shortage of skilled and adaptable labor, and scientific advances are making this an ever-increasing problem. The worker of the future needs more than a bare knowledge of reading, writing, and simple arithmetic. He must be able to read intelligently, understand the basic principles of mathematics in this electronic age, and express himself clearly and well in giving instructions to his fellow workers. He needs perhaps more importantly, to be able to read the daily papers with interest and understanding so that he will, from his school-learned background of history and economics, be able to understand the rapidly changing national and international situation, and vote intelligently for those who have the common good of all mankind as their objective. With more leisure time on his hands as the workweek is shortened, he needs an understanding and appreciation of the arts, music, and literature if he is to make fruitful and satisfying use of this leisure for himself and his family. He needs an understanding and appreciation of the wonders of nature and the responsibilities of all our people for wise use of our God-given natural resources, both as a recreational asset and an economic one. He needs a knowledge of personal and public health, and he deserves an opportunity to learn sports in which he can participate for the well-being of his body as well as his mind. It is vital to the Nation's interest that he should have these opportunities, for the sake of his spiritual, economic, physical, and moral well-being. And it is surely the Nation's responsibility to see that he has the opportunity, no matter where he lives or will live in our great country.

Because I feel so strongly on this matter of the importance of education to a free society, and because I believe that our initial sputnik-inspired anxiety which marked the opening of this session of Congress has been lulled by the subsequent launching of a few satellites of our own, I feel that the attention of the Senate needs to be focused again on the problems of our public schools. In deference to the distinguished Chairman of the Labor and Public Welfare Committee, Senator HILL, I have deferred calling the education subcommittee until he had finished his work on the scholarship program. However, I understand that this program is now nearly ready for presentation. Accordingly, I wish to announce that hearings on S. 3311, the School Assistance Act of 1958, are scheduled to begin on Friday, June 20.

As I stated when this bill was introduced in the Senate:

> The Senate is well aware of the urgent needs of our schools and the obvious inability of the States and local communities alone to provide the American people with the kind of education they need and deserve. An educated people is basic to the preservation of our national security and our ideals of democracy. An educated people is vitally necessary to the cause of world peace, and thus to the preservation of civilization. The responsibility of the Federal Government in this area cannot continue to be neglected and denied.

CONFLICT OF INTEREST, GIFTS, AND POLITICAL CAMPAIGN CONTRIBUTIONS

Mr. NEUBERGER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an excerpt from President Eisenhower's news conference of June 18, 1958, in which he discussed the case of his assistant, Gov. Sherman Adams.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

EXCERPT FROM PRESIDENT'S NEWS CONFERENCE JUNE 18, 1958, ON SHERMAN ADAMS SITUATION

First, as a result of this entire incident, all of us should have been made aware of one

truth; that is, that a gift is not necessarily a bribe. One is evil; the other is a tangible expression of friendship. Almost without exception, everybody seeking public office accepts political contributions. These are gifts to further his political career. Yet we do not make a generality that these gifts are intended to color the later official votes, recommendations, and actions of the recipients. In the general case this whole activity is understood, accepted, and approved. The circumstances surrounding the innocent receipt by a public official of any gift are therefore important, so that the public may clearly distinguish between innocent and guilty action.

Mr. NEUBERGER. Mr. President, I ask unanimous consent to have printed in the body of the RECORD the text of a letter which I addressed to the President of the United States under date of June 18, 1958.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JUNE 18, 1958.

The PRESIDENT,
The White House, Washington, D. C.

MY DEAR MR. PRESIDENT: In speaking of the gifts received by your assistant, Gov. Sherman Adams, at your press conference today, you rightly placed the question of the significance of such gifts in the greater perspective of our whole political and governmental system, when you compared them with the far larger donations which virtually every elective official must seek and accept in our American political campaigns.

I fully agree with you about the relevance and importance of this comparison, and I would like to congratulate you on having brought it to public attention through the effective medium of your press conference. It is a subject on which I have myself often spoken and written before and since coming to the United States Senate, and on which I have made a number of legislative proposals. That is why I am taking the liberty of writing you about your reference to it today.

At your press conference, you made the point that in the context of American politics, it is inconsistent to see bribery in every personal gift to a public official, but to make no such generalization about the many thousands of dollars which are regularly given to election campaign funds to permit these public officials, or their elected superiors, to further their political careers. I would also like to express my agreement with you that this point is the crux of the whole question of money in politics and Government.

Yet is it accurate to accept the opposite generalization about our practice of financing democratic elections from immense, privately donated campaign funds, that this whole activity is understood, accepted and approved?

Not long ago, in your veto message of the bill to exempt natural gas producers from Federal regulation, you referred to a campaign contribution offered to a Senator when you stated that certain backers of the bill had sought to further their own interest by highly questionable activities. And you rightly went on to state that these men's offer of campaign contributions could risk creating doubt among the American people concerning the integrity of governmental processes. Only a few days ago, leading members of your party in the Senate devoted many hours to drawing adverse inferences from the collection and contribution of election campaign funds by trade union political committees. Undoubtedly, it is as wrong to generalize that all political contributions give rise to undue obligations, as that all personal gifts to public officials do so. But I cannot agree that our present system of campaign financing is widely understood; or that, if it were understood, it would be accepted and approved. With constantly growing modern election costs, must not the integrity of governmental processes built on the private collection of these vast funds increasingly come into doubt?

Half a century ago, a very illustrious Republican predecessor of yours in the White House addressed himself to this question. In a message to the Congress on December 3, 1907, President Theodore Roosevelt spoke of the inadequacy of limitations, controls and disclosure laws to meet the problem of money in politics. He said:

"There is always danger in laws of this kind, which from their very nature are difficult of enforcement; the danger being lest they be obeyed only by the honest, and disobeyed by the unscrupulous, so as to act only as a penalty upon honest men."

Then he continued:

"There is a very radical measure which would, I believe, work a substantial improvement in our system of conducting a campaign, although I am well aware that it will take some time for people so to familiarize themselves with such a proposal as to be willing to consider its adoption. The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses of each of the great national parties, an appropriation ample enough to meet the necessity for thorough organization and machinery, which requires a large expenditure of money. Then the stipulation should be made that no party receiving campaign funds from the Treasury should accept more than a fixed amount from any individual subscriber or donor; and the necessary publicity for receipts and expenditures could without difficulty be provided."

Half a century has passed since President Theodore Roosevelt said that time would be needed to consider his proposal. During that half century, the number of voters that must be reached in a campaign, the mediums of communication, and the resulting costs of carrying on an election campaign have multiplied in proportions that would have staggered even his imagination. If the role of campaign funds in elections was a moral problem of democratic self-govenment in 1907, how vastly more crucial a problem must we recognize it to be today.

That is why I am writing you today, to urge you to renew the effort made by President Theodore Roosevelt to set a new standard for the role of money in our public affairs—not merely with respect to the occasional imprudent acceptance of gifts or hospitality by government officials, but for the far more fundamental matter of the whole financing of political campaigns in our Nation to which you referred this morning. It is my earnest hope that you might address to the Congress a message on this central modern problem of our democracy, including appropriate legislative recommendations which would bring up to date President Roosevelt's proposals for public underwriting of essential and legitimate election costs so as to free our political processes from their present dangerous dependence on large, private campaign contributions.

This present dependence on private sources of adequate campaign financing distorts the free choice of the people among competing candidates and programs. It often prevents able men from seeking public office. It inevitably creates the suspicion of special obligations of public officials and thus impairs popular confidence in government.

For these reasons, Mr. President, if by reviving President Theodore Roosevelt's farsighted recommendations to Congress, you can help to bring about the end of the dominant and growing role of campaign contributions in the politics of our country, your place in the history of reform in our democracy would be forever assured.

Respectfully,

RICHARD L. NEUBERGER,
United States Senator.

Mr. NEUBERGER. Mr. President, I shall state the general purpose and contents of my letter to the President. The President compared the gifts made to Sherman Adams with political campaign contributions. I commended the President for calling the attention of the American people to this relationship. I said:

> I fully agree with you about the relevance and importance of this comparison, and I would like to congratulate you on having brought it to public attention through the effective medium of your press conference.

I then said I had some disagreement with the President:

> Yet is it accurate to accept the opposite generalization about our practice of financing democratic elections from immense, privately donated campaign funds, that this whole activity is understood, accepted, and approved?

I referred to the fact that the President himself in his veto message last year, when he refused to approve the natural gas bill, called the attention of the Senate and House to certain unpleasant aspects of political campaign contributions associated with the natural gas bill. I also pointed out that some of the President's own supporters in this Chamber only a few nights ago made certain adverse implications with respect to donations to political campaigns by trade-union political-education funds.

Then I appealed to the President to use the great prestige and influence of his office to bring about the reform in our Nation which was first proposed a half century ago by one of the President's great predecessors, a member of his own party, Theodore Roosevelt. President Theodore Roosevelt recommended that the dangerous cesspool of large political contributions be drained by having the Federal Government underwrite political campaigns.

I concluded my letter to the President with these paragraphs:

> The present dependence on private sources of adequate campaign financing distorts the free choice of the people among competing candidates and programs. It often prevents able men from seeking public office. It inevitably creates the suspicion of special obligations of public officials and thus impairs popular confidence in government.
>
> For these reasons, Mr. President, if by reviving President Theodore Roosevelt's farsighted recommendations to Congress, you can help to bring about the end of the dominant and growing role of campaign contributions in the politics of our country, your place in the history of reform in our democracy would be forever assured.

Mr. President, in conclusion, I ask unanimous consent to have printed at this point in the RECORD the text of President Eisenhower's press and radio conference of June 18, 1958, as published in the Washington Post and Times Herald of June 19, 1958, with particular emphasis on the excerpts in which the President discussed so-called political

gifts, followed by a memorandum on reforms in campaign financing, which I presented to the committee headed by the able Senator from Arkansas [Mr. McCLELLAN], dated February 28, 1957.

There being no objection, the texts of the press and radio conference and of the memorandum were ordered to be printed in the RECORD, as follows:

[From the Washington Post and Times Herald of June 19, 1958]

TEXT OF PRESIDENT EISENHOWER'S PRESS AND RADIO CONFERENCE YESTERDAY

The PRESIDENT. Good morning. Please sit down.

Ladies and gentlemen, this morning I want to start off with two or three announcements, the first of which I have dictated, because I want to give it to you exactly as I intend it.

I showed this to Mr. Haggerty, who is just now having it mimeographed in order, if you are interested, that you can have the exact wording, rather than an abbreviated version.

The intense publicity lately surrounding the name of Sherman Adams makes it desirable, even necessary, that I start this conference with an expression of my own views about the matter.

First, as a result of this entire incident, all of us in America should have been made aware of one truth—that is that a gift is not necessarily a bribe. One is evil, the other is a tangible expression of friendship.

POLITICAL GIFTS APPROVED, HE SAYS

Almost without exception, everybody seeking public office accepts political contributions. These are gifts to further a political career. Yet we do not make a generality that these gifts are intended to color the later official votes, recommendations, and actions of the recipients.

In the general case, this whole activity is understood, accepted, and approved.

The circumstances surrounding the innocent receipt by a public official of any gift are therefore important, so that the public may clearly distinguish between innocent and guilty action.

Among these circumstances are the character and reputation of the individual, the record of his subsequent actions, and evidence of intent or lack of intent to exert undue influence.

Anyone who knows Sherman Adams has never had any doubt of his personal integrity and honesty. No one has believed that he could be bought; but there is a feeling or belief that he was not sufficiently alert in making certain that the gifts, of which he was the recipient, could be so misinterpreted as to be considered as attempts to influence his political actions. To that extent he has been, as he stated yesterday, imprudent.

SAYS PRESENTATION REPRESENTS FACTS

Now, the utmost prudence must necessarily be observed by everyone attached to the White House because of the possible effect of any slightest inquiry, suggestion, or observation emanating from this office and reaching any other part of the Government. Carelessness must be avoided.

My own conclusions of the entire episode are as follows:

I believe that the presentation made by Governor Adams to the Congressional committee yesterday truthfully represents the pertinent facts. I personally like Governor Adams. I admire his abilities. I respect him because of his personal and official integrity. I need him.

Admitting the lack of that careful prudence in this incident that Governor Adams yesterday referred to, I believe with my whole heart that he is an invaluable public servant doing a difficult job efficiently, honestly, and tirelessly.

Now, ladies and gentlemen, so far as I am concerned, this is all that I can, all that I shall say. If there are any questions from any part of this body, they will go to Mr. Hagerty and not to me.

MEMORANDUM ON REFORMS IN CAMPAIGN FINANCING

Everyone agrees that modern election costs have made present limitations on campaign spending unrealistic, and that they are in fact dead letters. Excesses in the collection and expenditure of modern campaign funds are largely the result of unrestrained competition for public attention through extremely expensive mediums, particularly television, radio, printed materials, and signs. As long as candidates must raise from private sources the vast sums needed for this expensive competition, it will be futile to try to curb by legal limits and penalties their reliance on large campaign contributions, with all the attendant dangers to true representative democracy.

This memorandum is designed to present to the special committee suggestions on a series of the issues presented by proposed reforms of campaign financing, with special emphasis on the principle of public assumption of basic election costs as an essential element in any reform.

I. PUBLIC ASSUMPTION OF BASIC ELECTION COSTS

President Theodore Roosevelt told Congress in 1907 that "The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses * * * which requires a large expenditure of money."

The large expenditure needed for a modern campaign has multiplied many times since the days of Theodore Roosevelt, when TV and radio were unknown and other expenses were much lower. The time has come to recognize that in a democracy the presentation of political candidates and issues to the voters in a campaign is not something done for the candidates, but for the public who must exercise as informed a choice as they can among them. The expense of making this information equitably available to the electorate is a legitimate cost of democratic self-government.

Many alternative ways are available for carrying out this principle, once it is recognized.

1. Public funds for campaign broadcast time: A certain number of minutes of broadcast time on radio and television stations covering the State or Congressional District could be established as reasonable and adequate use of these mediums in campaigns for Federal office. Candidates could then be authorized to submit vouchers covering that much broadcast time for payment of one-half of the cost from public appropriations, on condition they limited themselves to this reasonable amount of broadcast time. This principle could be extended to certain other mediums, for instance holders of second-class mailing privileges.

2. Direct payments to political party committees: President Roosevelt's proposal of direct appropriations was incorporated in S. 3242 in the 84th Congress, which would establish a formula based on the total number of votes cast in preceding national elections. This avoids any governmental influence over the choice of media or other legitimate use of the funds (except for audits of reports). It would seem particularly appropriate for presidential election committees and for the necessary expenditures of the National Committee for the National Conventions, etc.

3. Tax incentives to encourage wider individual contributions: There has been much discussion recently of tax reductions for campaign contributions, and this was included in S. 3308 last year. It can be conclusively demonstrated that a tax deduction would be highly discriminatory, perhaps unconstitutional, and would only exacerbate the present inequality among contributors, because (a) only a small minority of taxpayers have reason to itemize deductions rather than take the standard deduction, and (b) among even this minority, the value of the deduction increases with higher income. A small tax credit, for instance of $10, would avoid these inequalities and would effectively stimulate small individual contributions.

4. State voters' pamphlets: The Federal Government might, on a matching-fund basis, underwrite half the cost of a State voters' pamphlet such as that sent to every registered voter in the State of Oregon, which gives much basic information and makes available equal space to all candidates for public office.

The above four forms of providing public funds for election expenses are mutually consistent and serve different and complementary purposes. All should be enacted.

II. PROBLEMS ARISING UNDER PUBLIC FUNDS PLANS

1. The third-party problem: If public funds are to be used in election campaigns, they must be available to candidates other than those of the two major parties. This can be done, with protection against abuse of the public funds, by requiring each candidate or his campaign committee to post bond for one-half the amount of the public funds used, conditioned on the candidate's receiving at least 10 percent of the total vote cast for the office in question.

2. The control problem: Use of public funds for campaign expenses would make more urgent than ever the problems of assuring adequate controls over the reporting of campaign expenditures and contributions. But whether or not public funds are used, a modernized system of reports, audits and field investigations of campaign financing should be set up outside either Congress or an agency of the executive branch, both of whom are too closely associated in the public mind with the electoral process. The best available agency for assuming new, affirmative responsibility for maintaining an independent review of campaign financing is the General Accounting Office, particularly if public funds are to be involved.

3. The problem of primaries: In view of the decisive importance of primary elections in many States, programs of public financial support for election costs should be extended to primaries. Oregon's voters' pamphlet is used in primaries, and the tax credit could also easily be usable for a contribution to a candidate in a primary rather than a final election.

III. LIMITS ON CONTRIBUTIONS AND EXPENDITURES

Once the principles of public assumption of much of the cost of public access to candidates and their views is accepted, and the necessary burden of collecting campaign funds correspondingly reduced, it will become possible for the first time to deal realistically with controls of the evils of large private contributions and excessive expenditures. Withholding of the public funds, or loss of the privilege of tax credit, would be far more effective deterrents than unenforceable criminal penalties for evasion of reasonable limits. Also, the knowledge of access to at least a fair minimum of campaign costs from public funds will free candidates to make a virtue of compliance and will make excessive expenditures from large private contributions unacceptable to the public and unprofitable to candidates.

The following are suggested considerations on the traditional problems of limits and controls over contributions and expenditures:

1. Distinction between contributions and expenditures:

Personal participation in political campaigns is a basic constitutional right of American citizens. Therefore, expenditures made by individuals openly and in their

own names on means of expressing their support for or opposition to a candidate, party, or issue probably cannot constitutionally be restricted, nor forced to be channeled through specified agencies. This prevents legal control on total expenditures in an election.

On the other hand, contributions made to a candidate or a committee, to be spent by them rather than by the contributor, do not constitute such a constitutionally protected form of free speech and may be limited to a reasonable maximum. (Controls may probably be extended to the spending of political committees created expressly for a campaign, as distinguished from the activities of ordinary full-time organizations which have an identity, activities, and a known membership for purposes apart from politics.)

2. Restrictions on individual contributions:

Once funds for reasonable and adequate campaign costs can readily be met in part from public funds and in part from small individual tax-free contributions, the size of individual gifts could and should be strictly limited—perhaps to $50 per person in support of the campaign of any one candidate for Federal office. The tax credit could be conditioned on an affidavit that no more had been given, and public campaign funds could be conditioned on an affidavit by campaign committees that no more had been accepted from any individual.

Only persons eligible to vote should be entitled to the tax credit.

3. Limitations on total spending: As stated above, if the political activities and efforts of individuals and ordinary, nonpolitical organizations are taken into account, it is both legally and practically impossible to place a limit on total campaign expenditures. However, the possible loss of eligibility for public funds or for the tax credit privilege can serve to enforce reasonable limits on those expenditures within the control of the candidate himself or his political committee, for instance to limit the total amount of his appearances or other broadcasts on radio or television.

The eventual overall effect of this program will surely be fourfold: (1) To give the public a more nearly equal opportunity to see and judge competing candidates for public office and their platforms and programs; (2) to eliminate the unhealthy and undemocratic significance of candidates' dependence on large campaign contributions; (3) to make a virtue of staying within the prescribed normal limits in the competitive use for the expensive modern mediums and techniques of campaigning which have driven the cost of running for public office out of sight for the average citizen without large financial support, and thus to reduce excessive spending; (4) to display more clearly the nature of the support of candidates, insofar as individuals and groups are limited in making contributions to political candidates or committees and thus driven to participate openly in campaigns in their own names.

Full reporting of political expenditures may and should be required of any person or group, but it does not alone go to the root of the problem. Theodore Roosevelt said in his message of 1907:

"It is well * * * to provide for the publication of both contributions and expenditures. There is, however, always danger in laws of this kind, which from their very nature are difficult of enforcement; the danger being lest they be obeyed only by the honest, and disobeyed by the unscrupulous, so as to act only as a penalty upon honest men."

No tinkering with regulatory laws will reform the evil of dependence on large campaign contributions, until the heavy inevitable costs of bringing a modern election campaign to the public's attention is borne in part by the public itself. No reform could be a better investment in the democratic process which is our greatest national pride.

CONDUCT OF PUBLIC OFFICIALS

Mr. WILLIAMS. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an editorial entitled "Mr. Adams Should Resign," which was published in the Wilmington Journal of June 18.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MR. ADAMS SHOULD RESIGN

Now that all the evidence is in we have regretfully come to the conclusion that the only proper course open to Sherman Adams is to resign. We say regretfully because Mr. Adams unquestionably is an able, an incorruptible, and a devoted public servant. But he has also been guilty of bad judgment, as he himself admits, and his lack of prudence in his dealings with Bernard Goldfine has cast a reflection not only on himself but on the President and the Republican administration of which he is a part.

Mr. Adams made his first error of judgment when he permitted Mr. Goldfine to pay large hotel bills for him. Mr. Goldfine was an old and valued friend but he was also an industrialist who was in trouble with the Federal Government. Mr. Adams compounded this error when he failed to disclose all the details of this relationship until he appeared yesterday before a Congressional committee, a week after the original charges were aired. Those who defended Mr. Adams at first, find it more difficult to do so now. For it appears that he also received expensive gifts and that he made several direct inquiries to Federal commissions about matters in which Mr. Goldfine was involved.

No one in his right mind would contend that Mr. Adams made these calls in return for favors received; he is not that kind of man. What bothers us is that he has apparently become infected with that peculiar moral blindness so common in Washington which sees nothing wrong in the acceptance of expensive hospitality or gifts as long as your own motives are pure. Mr. Adams did not tolerate this conduct on the part of officials of a previous administration and we are certain that he would not tolerate it on the part of his subordinates. He can hardly expect a less rigid code to be applied to himself.

We shall be sorry to see Mr. Adams go. But he cannot stay on without further embarrassing the President whom he has been serving so devotedly and without clouding the standards which ought to govern high officials in their relationship with private individuals.

EFFORTS OF THE LITHUANIAN AMERICAN COUNCIL TO KEEP SPIRIT OF FREEDOM ALIVE

Mr. POTTER. Mr. President, at a very solemn time in the annals of the captive nations of Eastern Europe, at the time when the secret execution of Imre Nagy, the great Hungarian leader, has shocked the world, I remind my colleagues of a group in this country which continues, at long distance, to keep the spirit of freedom alive in the captive nations.

This group is the conference of the Lithuanian American Congress, sponsored by the Lithuanian American Council, representing nearly 1 million Lithuanian Americans, which will meet on June 27 and 28 in Boston.

To this conference, which assembles every 4 years, will come a stream of delegates representing the people who carry on the fight for Lithuania's liberation from Soviet occupation.

Recently a speech was delivered in Lithuania by Anthony Snieckus, secretary of the Communist Party of that nation. His diatribe condemned Lithuanian Americans and Lithuanian escapees for continuing to fight for the independence of their Soviet-occupied country. The Communist leader flayed the people who believed so deeply in freedom that they continued to carry its torch in faraway lands. He called these Lithuanian escapees the bitterest enemies of the Soviet Union. And they are.

The speech of the Lithuanian Communist puppet is authentic evidence that the long years of patriotic effort in exile have not been wasted. No secretary of the Communist Party would take the trouble to protest so violently against an intangible. A strong force impelled him to make that speech, and there can be no question that the force was supplied by the strength of his opposition, by the fact that Lithuanians have never ceased to resist Communist domination at home and abroad.

It is the persistent efforts of Lithuanian groups in various parts of the Free World which give their enslaved fellow countrymen the courage to go on believing in eventual freedom and independence. In America the Lithuanian American Council and its related groups have carried on the fight for Lithuania's liberation since the first Soviet occupation.

I think we should also be reminded today that the Soviet leopard has not changed its spots in Lithuania. Despite recent surface attempts to the contrary, the people of this captive nation have had little relaxation of their bonds, with the exception of the removal of the machine and tractor stations. This small measure, which now requires only one quota of agricultural produce to go directly to the state, instead of an additional one to the machine and tractor station, was a necessary move all over the Soviet empire, because of pressure from the farmers.

At the same time, other measures continue to show that the Lithuanian people remain in bondage.

For example, news comes of a treaty made between the people of Lithuania and the people of Bulgaria and Rumania to dissolve all private estates and properties formerly owned by Bulgarians and Rumanians in Lithuania. Actually, the people of these three countries had nothing to do with the agreement. The finance minister in Moscow was the moving force.

Also the recent gesture of turning over economic control to local authorities is nothing more or less than a facade. Actually a Soviet officer directly appointed by Moscow is on hand to direct all local economic decisions.

As the senior Senator from Michigan, it is my privilege today to call attention

to the meeting of the Lithuanian American Congress in Boston, for it is these groups who keep the record straight regarding the captive nations. Many of Michigan's finest citizens are members of this group. I have personal knowledge of their contribution to the principles of democracy and freedom, and I am privileged to extend to them all good wishes on this occasion.

Mr. President——

The PRESIDING OFFICER (Mr. NEUBERGER in the chair). The Senator from Michigan.

MORE EQUITABLE TAX ARRANGEMENT FOR TEACHERS

Mr. POTTER. Mr. President, on April 4 of this year, the Treasury Department made public new income-tax regulations designed to provide a fairer and more equitable tax arrangement for teachers. As a sponsor of proposed legislation to liberalize teachers' tax deductions, and as one who had worked with Treasury officials to obtain a tax "break" for the teaching profession, I was, of course, delighted.

Back in March of 1957, in the early days of the 85th Congress, I introduced Senate bill 1695, to amend the Internal Revenue Code of 1954 to allow a deduction from gross income for certain amounts paid by a teacher for his further education.

Briefly, the bill would have permitted a teacher to deduct for the cost of tuition, books, other equipment, travel, and living expenses while away from home, for the purpose of taking advanced studies.

When I introduced the bill, I addressed the Senate as follows:

> Ballplayers and firemen deduct the cost of uniforms and equipment. Business executives dine on pheasant and live in fancy hotel suites, chalking it up to necessary expense. Theatrical people even deduct the cost of a pair of spangled tights. Why, then, are we discriminating against our underpaid teachers when they attempt to develop themselves professionally?

At that time the law did not permit teachers to deduct summer school or other higher education costs unless it could be proven that such studies were necessary to hold the job. A teacher who took advanced training in order to qualify for a higher position simply found that such expenses were nondeductible.

I stated on the Senate floor that such tax provisions were "unfair" and "shortsighted," particularly at a time when the Nation faces a crucial teacher shortage.

It was true then and remains so, that we should leave no stone unturned in endeavoring to offer inducements and advantages to the dedicated people who choose teaching as a career. Depriving teachers of the same tax privileges we give to burlesque artists is a sure way of stifling the ambition of our teachers. I called for prompt correction of the situation.

I was joined in this effort on the House side by Representative ROBERT J. MCINTOSH, of Michigan, who introduced a companion bill. Our measures rested in the Senate Committee on Finance and the House Ways and Means Committee, respectively.

From the day when I introduced the bill, it was apparent that the teachers of Michigan and of the rest of the Nation were watching its progress with profound interest. Letters of support came from throughout the State, and inspired me to continue my efforts in behalf of the bill.

By January of 1958, since neither committee had taken action, I initiated a series of meetings with Treasury Department officials, in an effort to determine whether we could achieve the same benefits for teachers by departmental regulation. I learned that the Treasury had had the question under review, but had not acted.

However, I am happy to say that our conferences, held both in the Treasury Department and in my office, produced results. By April 4, the Department was ready to announce new regulations making effective substantially the same deductions that are proposed in my bill. The special situation of teachers is fully recognized in these rulings. Certainly this was an occasion for great satisfaction by all of us who had worked for the proposals.

In the meantime, the National Education Association had published a pamphlet inspired, so they informed me, by my original comments on Senate bill 1695. "The Case of the Deductible Tights" is the name of the colorful folder on equitable tax treatment for teachers. The front cover features a picture of a trapeze artist. More than 500,000 copies were distributed.

Results in any field of endeavor are, of course, the greatest satisfaction a public official can receive. But equally satisfying is the appreciation expressed by those who benefit from legislation, either as individuals or as a group. Therefore, I should like to record my thanks to the National Education Association, an important voice of America's teachers, not only for its publication of their pamphlet "The Case of the Deductible Tights," but for the following letter which it has sent to me:

MAY 15, 1958.

DEAR SENATOR POTTER: The National Education Association is deeply in your debt for the part you played in bringing about the successful outcome to its long struggle to obtain equitable tax treatment for teachers in the matter of deduction of professional expenses.

The most successful single piece of literature the association distributed in connection with this campaign went through six printings and totaled more than one-half million copies. It was titled "The Case of the Deductible Tights," and was based primarily upon the statement you made when you introduced S. 1695. Thus you made a truly unique contribution to the cause.

We are indeed deeply appreciative of the efforts you made directly with the United States Treasury officials to bring about the tax ruling.

On behalf of the association, I extend to you its most sincere thanks.

Cordially yours,

ERNEST GIDDINGS,
Associate Director, Division of Legislation and Federal Relations.

Again, on June 6, 1958, the NEA took time to write to me concerning this bill. The association's second letter reads as follows:

JUNE 6, 1958.

DEAR SENATOR POTTER: We are deeply grateful for your interest and effort in helping us secure more equitable tax treatment for teachers.

Without question, the interest and support given by you and other Members of Congress to corrective legislation helped persuade the Treasury Department to issue Treasury Decision 6291.

We are also grateful to you for your original speech on the floor of the Senate which gave us our theme—"The Case of the Deductible Tights." It was original and catchy and most effective in popularizing the issue.

The granting of equitable treatment for occupational deductions for teachers will not only benefit the teachers of America but will ultimately benefit America with better teachers. We are grateful and you may be proud of the part you played in this matter.

Sincerely,

J. L. MCCASKILL,
Executive Secretary.

Mr. President, it is my earnest hope that these developments are a barometer of the increasing regard in which we hold the teaching profession. Teachers are the custodians of America's most vital and cherished resource—her youth. Through them are imparted the principles of democracy and a great deal of the moral fiber and intellectual toughness to make those principles a dynamic force in the world.

Therefore, we must never cease in our efforts to raise the status of the teaching profession.

Today, I pledge to the Members of this body and to the teachers of the Nation that I will continue my efforts for the enactment of Senate bill 1695.

While the Treasury Department ruling affords protection, it is, after all, a regulation, and conceivably could be altered at some future time. Tax privileges for teachers should receive the permanent sanction of the law; and therefore I shall work for the enactment of my bill. I am confident that in this effort I have support of the fair-minded Members of this body.

Mr. WILLIAMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. NEUBERGER in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. JORDAN in the chair). Without objection, it is so ordered.

REDUCTION OF DEPLETION ALLOWANCES

Mr. PROXMIRE. Mr. President, I rise to speak at this time because I wish to put all Senators on notice that I intend to submit to House bill 8381, the major tax bill which I have been assured will come before the Senate at this session, an amendment which will raise revenue amounting to between $325 million and $500 million, depending on the authority upon whom one relies. The Treasury Department says the amendment will

raise $325 million; the Legislative Reference Service of the Library of Congress has told me that it believes the amendment will raise between $400 million and $500 million.

Mr. President, I point this out as a matter of interest to Senators who, as a matter of principle, have stated that they will not vote for a reduction of the tax revenue. This amendment will give them a chance to vote for a reduction of some excise taxes, and at the same time will preserve the tax revenues at their present level. This is because my amendment would restore lost revenues to the Treasury.

Furthermore, I wish to point out that this amendment, which occasionally has been submitted at past sessions of the Senate, would reduce a notorious and unconscionable giveaway under our tax laws.

My amendment would reduce the depletion allowance for oil, gas, and a number of other important minerals from 27½ percent to 15 percent. It would scale down the depletion allowance on sulfur, uranium, and 36 other minerals from 23 percent to 15 percent. No percentage depletion allowance above 15 percent would remain.

Mr. President, this is not an extreme or an extremist proposal. It is a proposal which has been supported by such distinguished conservatives as the Senator from Delaware [Mr. WILLIAMS], who previously has made an eloquent plea for it. I have discussed this matter with him, and he is warmly in favor of such an amendment. This proposal has also been supported by the great Senator from Ohio [Mr. LAUSCHE] who, in the previous session, made an eloquent plea for it.

The amendment is truly just, because it is based on treating all people alike and all people fairly.

Mr. President, the present oil depletion allowance, which is available particularly to the big oil and gas companies, enables the "big boys" to achieve a financial and political power which is one of the most corrupting forces in American political life.

I am not going to take the time of the Senate today to detail the scandals that have developed from the economic and political power and control the oil industry has achieved, largely because of the enormous wealth which it has been permitted to accumulate. They are a matter of notorious public record. The fact is that the benefits of the oil depletion allowance have gone to a very few wealthy corporations. Ninety percent of the gains from those taxes have gone to a handful of corporations.

It is important that we adopt this kind of amendment in order to retain the confidence of the American people in the fairness of the tax structure. I have probably talked to as many people in recent years as has anybody in the Senate, because I have run for statewide office in a large State four times in the last 5 years. My campaigns have been personal campaigns, in which I have talked to thousands and thousands of persons. There is no question that to the people of any State the No. 1 example of unfairness, inequity, and injustice in our tax system is the oil-depletion favoritism that is shown to one industry. There is absolutely no justification for this. The oil people have all kinds of advantages in addition to the oil-depletion advantage. And I would not eliminate the oil-depletion advantage entirely; I would simply reduce it from 27½ percent to 15 percent.

The oil industry now has the advantage of being able to write off immediately, in full, the entire intangible costs of exploration and development. This constitutes, according to the statistics I have seen, as much as 75 to 90 percent of the industry's total cost.

The ability to do so puts the industry in a very, very strong position profitwise, and that would be so even if there were no oil-depletion allowance whatsoever.

In addition, there are all kinds of gimmicks, including the favored treatment of persons who invest in oil properties in this hemisphere, including the golden gimmick which allows them to subtract from their taxes the taxes paid, which are really royalties, to countries in the Near East.

All this treatment adds up to a tremendous political and financial advantage for the oil industry.

I should like at this time to reveal statistics which seem to me to be conclusive. I have in my hand a report from the Library of Congress that shows the percentage net profit constituent of the industry's Federal income taxes. The report shows the taxes in the oil industry are less than 14 percent of net profits.

For all manufacturing corporations in 1957 the Federal income taxes were 45 percent of net profits. The reason they were not 52 percent is that many companies are small and simply pay the lowest taxes. Some companies are losing money. But, on the average for all manufacturing corporations in America, the Federal income tax is 45 percent of the net profit, and for the oil industry it is less than 14 percent, which means the oil industry pays taxes which are only one-third, in proportion to its net profit, of what the rest of American industry pays. The tax is also far lower than in any other industry. In fact, there is no industry which does not pay three times in taxes, as a percentage of its net profits, what the oil companies do.

Mr. President, I ask unanimous consent that the report from the Library of Congress, to which I have referred, be printed in the RECORD at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Net profit before Federal income taxes and Federal income taxes (total) for the year 1957 for selected industries

[In millions of dollars]

	Net profit before Federal income taxes	Federal income taxes	Percent of net profit
Products of petroleum and coal	3,373	469	13.9
Petroleum refining [1]	3,297	431	13.07
All manufacturing corporations (except newspapers)	28,167	12,727	45.18
Durable goods	15,760	7,820	49.62
Lumber and wood products	225	105	46.67
Furniture and fixtures	220	116	52.73
Stone, clay, and glass products	1,156	534	46.19
Primary iron and steel	2,635	1,308	49.64
Machinery	2,831	1,425	50.34
Motor vehicles and equipment	2,871	1,439	50.12
Nondurable goods	12,406	4,908	39.56
Food and kindred products	2,159	1,095	50.72
Textile mill products	541	287	53.05
Chemicals and allied products	3,379	1,587	46.97

[1] Included in products of petroleum and coal.

Source: Quarterly Financial Report for Manufacturing Corporations, 4th quarter 1957; Federal Trade Commission; Securities and Exchange Commission.

Mr. PROXMIRE. Mr. President, I also have in my hand a comparison of net profits after taxes for all manufacturing corporations, by industry, taken from table 4, quarterly financial report for manufacturing concerns, fourth quarter, 1957, published by the Federal Trade Commission and the Securities and Exchange Commission. These are also very interesting statistics, because they show how tremendously favored the oil industry is if the industry's net profits are related to its sales.

The table shows that the margin of profit for all manufacturing corporations of durable goods was 4.4 percent for the fourth quarter of 1957. That was the percentage of profit as compared with sales. But for the petroleum industry, the percentage was about 11 percent—from 10.9 percent to 11.3 percent—in the last quarter of 1957. That relationship has been maintained in every quarter since the last quarter of 1956, and, indeed, in every year for many years past.

I could run through this table, but I ask unanimous consent that the table also be printed in the body of the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparison of net profits after taxes for all manufacturing corporations, by industry, taken from table 4, Quarterly Financial Report for Manufacturing Concerns, 4th Quarter, 1957, published by Federal Trade Commission and Securities and Exchange Commission (items are stated as a percent of sales)

	4th quarter 1956	1st quarter 1957	2d quarter 1957	3d quarter 1957	4th quarter 1957
Products of petroleum and coal	11.9	10.7	9.9	9.5	10.9
Petroleum refining	12.3	11.0	10.2	9.8	11.3
All manufacturing corporations	5.2	5.1	5.0	4.7	4.4
Durable goods	5.2	5.2	5.2	4.6	4.2
Lumber and wood products	2.5	1.0	2.9	3.1	2.1
Furniture and fixture	3.1	2.3	2.8	3.1	2.4
Stone, clay, and glass products	7.8	6.6	8.1	7.8	7.4
Primary metal industries	7.8	7.4	6.9	6.1	5.7
Primary iron and steel	7.5	7.1	7.0	6.1	5.8
Primary nonferrous metals	8.7	8.1	6.6	6.0	5.5
Fabricated metal products	3.5	3.7	4.1	4.2	2.3

Comparison of net profits after taxes for all manufacturing corporations, by industry, taken from table 4, Quarterly Financial Report for Manufacturing Concerns, 4th Quarter, 1957, published by Federal Trade Commission and Securities and Exchange Commission (items are stated as a percent of sales)—Continued

	4th quarter 1956	1st quarter 1957	2d quarter 1957	3d quarter 1957	4th quarter 1957
Machinery	5.2	5.3	5.5	4.7	3.7
Metalworking machinery	5.3	6.3	6.1	4.9	3.2
Electrical machinery, equipment, and supplies	3.5	4.5	4.3	4.0	4.0
Transportation equipment	4.8	5.3	4.8	3.6	4.4
Motor vehicles and equipment	5.8	6.3	5.7	4.0	5.4
Aircraft and parts	3.0	3.0	3.0	2.9	2.8
Instruments and related products	6.6	5.3	5.8	5.7	6.0
Miscellaneous manufacturing and ordnance	3.8	2.4	2.4	3.2	1.9
Nondurable goods	5.3	5.1	4.9	4.8	4.7
Food and kindred products	2.2	2.0	2.2	2.6	2.1
Alcoholic beverages	3.1	2.9	3.4	3.9	2.8
Tobacco manufactures	5.1	4.7	4.9	5.5	5.4
Textile mill products	2.8	2.0	2.0	2.2	1.5
Apparel and other finished products	1.9	1.4	1.2	1.8	.6
Rubber products	4.7	4.4	4.3	4.0	4.1
Leather and leather products	1.8	1.8	1.9	2.0	2.4
Paper and allied products	5.9	5.7	4.9	4.9	4.5
Printing and publishing	3.0	4.0	4.8	3.8	2.5
Chemicals and allied products	7.9	7.8	7.9	7.6	7.3
Industrial chemicals	10.2	10.0	9.8	9.3	8.9
Drugs	9.9	9.8	10.0	11.5	10.4

Mr. PROXMIRE. Mr. President, I shall run over the arguments justifying the depletion allowance which have been made in the past by the defenders of this unconscionable depletion allowance, and very quickly give my answer to those arguments.

Mr. President, I am bringing this matter up for two reasons. The first is that I think Senators might want to know they can vote for a tax reduction and still vote very soon for a tax increase to balance that reduction. The second reason is that I think the Senate should be on notice it is going to have a chance to vote on the oil depletion allowance.

I understand that in past years complaint has been made by a number of Senators that had they known they would have an opportunity to vote on this question, they would have been on the floor in time to make sure there was a record vote and would have provided the necessary seconds for that purpose. I think with this kind of warning it will be possible for Senators to be present when the matter is brought up.

Mr. President, let us run quickly over the arguments made in favor of the present oil depletion allowance.

The first argument in support of the argument for a greater depletion allowance than that given to other industries is the very great risk in exploration and development of oil. The fact is that the risks are probably not as high as they are in other businesses; certainly no higher. There is comparatively little capital invested because intangible costs, dry holes, and exploration are expensed and recovered immediately out of income. Any losses they may have are entitled to the same carryover privileges available to all business. This means that losses may not only be written off against other income, but they may be carried back 2 years and forward 5 years to be set against income of those years. This means that where there is a loss, that loss can be offset against other taxable income.

The question may be asked, "How about the poor prospector who goes out and is not making money, and does not make money for many years, and makes very little profit out of his oil explorations and operations in the oil business?"

The facts are overwhelming that what these persons do is use, not percentage depletion, but cost depletion. My amendment does not touch cost depletion. Cost depletion is still permitted; it is still possible under my proposal.

I should like to point out, Mr. President, that in the running statistics of business failures carried in Dun's Review and Modern Industry, oil had the lowest ratio of failures of all categories in every year from 1924 to 1954, a period of 30 years. Oil ranks first in value of all mineral production. A survey of the financial section of the New York Times or the Wall Street Journal at any time will show oil stocks to be among the favorites. How can anyone say that the oil industry is such a risky business when it has had the lowest ratio of failures in such a long period of time? How can anybody argue that it is necessary to preserve an allowance that is taken advantage of almost entirely by big oil companies, which are very stable and which are in a position to plan?

Mr. President, the risk argument is completely "phony" when applied to lessors and royalty owners, who are entitled to percentage depletion under the law, and who usually have exerted no effort and taken no risk. Moreover, weathy investors buy oil royalities from proven fields and take the depletion allowance, which gives them an opportunity to avoid taxes. This is notorious among wealthy people, particularly in the movie industry and other industries. These people may sell the lease or royalty and pay tax only on a capital gain. They can take enormous advantages from the writeoff of development cost, and even further advantages from the depletion allowance. This is an open door to the very wealthy people.

My amendment would eliminate part of the benefit for wealthy individuals as well as for wealthy corporations.

There is no question in my mind that the oil risks do not compare with the risks of fighters, actors, models, singers, writers, and so forth, who have short careers and can lose their earning power but who have no depletion allowance.

Mr. President, the second argument which was used I have already met in part; that the marginal producers such as the strippers, well operators, and small wildcatters will be forced out of business. The fact is—and this is a fact established again and again—such people do not use percentage depletion. Those people use cost depletion in virtually every case. If they choose to use the percentage depletion, it still would be a generous 15 percent as a depletion allowance.

The fact is that for such people the real advantage is the advantage which has been cited by a number of attorneys and a number of other experts in the oil business. I cite only one now, because of the time limitation: Attorney Jackson who wrote an article published in the Tulane Law Review in 1952, and said:

> The right to charge off intangible development expense is the most valuable right accorded the oil operator under the tax laws. To a developer of oil properties it is more important than the more publicized depletion allowance.

This is the advantage which the marginal producers enjoy, and the amendment I have proposed would not touch that very great and very considerable advantage.

Mr. President, the argument has been used that if the amendment should be adopted, the price of oil would go up. I submit that such an argument has absolutely no validity at all. Even if the price did go up, it would hardly be an argument against an equitable tax. One might say that if we eliminated the tax or reduced the tax very sharply on textiles the price of textiles would go down. One could say the same thing about any commodity, such as television sets. If any commodity is given discriminatory treatment under the tax laws, we might say the prices would tend to go down. Is that an argument why the taxpayers should subsidize the consumers of the oil industry, the automobile industry, the television industry, or any other industry? Of course it is not.

Furthermore, Mr. President, the fact is that the benefits of the tax are very largely enjoyed by stockholders. Everybody recognizes that fact. The overwhelming majority of the economists recognize that the only case where such is not so is the case of a monopoly, when taxes are passed directly on to the consumer. There is a monopolistic element in the oil industry—and there is no question about that—so some of the price increase might be passed on to the consumer. The answer is: If so, that is more just than passing the cost on to the general taxpayer. In the American system the consumer is willing to pay the cost of what it takes to produce what he buys.

Finally, Mr. President, the argument has been made that further development would be discouraged. Of course, I have already given the burden of the answers to that argument. The fact is that intangible chargeoffs are the principal advantage so far as development is concerned. The fact is that there would still be allowed, under the provision of

my amendment, a 15-percent depletion allowance.

Mr. President, the telling argument is a question: Do we have too little oil today? Do we have the opportunity for producing too little oil? Quite the contrary; we have too much. In fact, in Texas the oil producers are able to operate only 7 days a month. We have a great overcapacity of oil. It seems to me to be the greatest unwisdom to have a tax system which encourages the further development of new oil reserves at a time when we already have an excess capacity of oil. Every conservationist knows that when there is an apparent excess of supply there is waste. The oil will remain in the ground. Perhaps at some time in the future we shall have a different kind of situation and some sort of action will be necessary in this respect.

The oil people, even with the reduction in the percentage depletion allowance, would have every reason to continue the development of the oil resources of this country, to explore for oil, and to exploit the finds for the benefit of the consumers.

Mr. President, I should like to summarize by saying that the amendment would provide a minimum of $325 million, according to the Treasury report, which might go up to as much as $500 million according to the Legislative Reference Service of the Library of Congress, in increased revenue for the Treasury Department. It would do so by closing a gaping loophole in our tax laws which is unjustifiable, is an unconscionable giveaway, has resulted in corruption in our public life, and is a giveaway more and more American people are recognizing.

Once again I wish to say I am serving notice upon my fellow Members of the United States Senate that I intend to call up the amendment in a couple of weeks when H. R. 8381 comes before the Senate, and I intend to do what I can to secure the yeas and nays on the amendment, so that it will be a record vote.

Mr. President, I yield the floor.

TWELVE DAYS UNTIL JULY 1

Mr. KEFAUVER. Mr. President, there seems to be a distressing spirit of defeatism permeating the steel industry at the present time. This is in contrast to the old-style attitude of aggressive, individualistic, competitive rivalry that made America what it is today.

This new spirit manifests itself in an attitude, explicitly expressed by steel-company officials before the Subcommittee on Antitrust and Monopoly, that there is simply little point in trying to keep prices down. These steel officials contended that the price of steel has little if any effect upon its demand, that steel represents a very small proportion of the total cost of most products made of steel, and that any price action taken by the steel companies will have no appreciable effect on the sales of these fabricated products.

This line of argument is foreign to the past behavior of the steel industry itself during the 1920's and early 1930's when the price of steel was steadily reduced.

The argument unduly minimizes the importance of steel as a cost element to many manufacturing industries. And it also unduly minimizes the effect of price changes on sales.

Take, for example, the Nation's single largest steel-consuming industry—automobiles. With the possible exception of labor, steel represents the largest single element in the total factory cost of an automobile. It is also a fact that the sales of automobiles are significantly affected by changes in their prices. In hearings before the Subcommittee on Antitrust and Monopoly, it was brought out that studies of this subject have revealed that a 1-percent increase in the price of automobiles tends to result in a decrease in automobile sales of from 1.2 percent to 1.5 percent. In other words, these studies, which are based on historical experience, indicate that a 10-percent increase in the price of automobiles can be expected to result in a decline in automobile sales ranging from 12 to 15 percent.

With 1 of the 3 major automobile producers now operating in the red and a second showing very small profits, is it not reasonable to expect that they will pass on any increase which they have to pay for steel? As I have indicated earlier, higher prices for steel will be reflected not only in the increased cost of the steel that goes directly into the automobile itself, but also in the form of higher prices which the automobile companies, as well as all other firms, will have to pay for machinery, equipment, and supplies made of steel.

How much the price of the 1959 models will be increased, and how much of the increase will be traceable to higher steel prices are matters of conjecture. But one thing is certain. If the price of steel rises, so also will the price of automobiles. And if the prices of automobiles rise, their sales, as all the studies show, will tend to decline. And as the sales of automobiles fall to even lower levels, so also will the automobile companies' demand for steel. Thus the endless cycle proceeds.

The first step to be taken in halting this spiral is the prevention of the projected steel price increase. The steel companies can prevent the price rise by the simple act of not making it. If only one of the major steel companies would compete in the old American manner and refuse to go along, the increase probably would not stick. But this is perhaps too much to hope for. Intervention from the outside seems called for. That intervention must come from President Eisenhower. Through the voluntary stabilization of prices and wages, the President can stop the spiral. He must act, and act quickly. There are only 12 more days before July 1.

EXECUTION OF CERTAIN LEADERS OF REVOLT IN HUNGARY

The Senate resumed the consideration of the concurrent resolution (S. Con. Res. 94) expressing indignation at the execution of certain leaders of the recent revolt in Hungary.

The PRESIDING OFFICER. The clerk will state the first committee amendment.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the vote on the pending concurrent resolution be deferred until after the first yea-and-nay vote on the tax bill this afternoon.

Let me say, by way of explanation, that when the program for the day was planned, Senators did not anticipate that there would be a yea-and-nay vote on the concurrent resolution, or even that the concurrent resolution would be considered at this time.

I have consulted with the minority leader [Mr. KNOWLAND] and the author of the concurrent resolution [Mr. HUMPHREY], and they are both agreeable to the request I am making. They believe it is advisable that this agreement be entered into in order to keep faith with our colleagues.

Mr. SMATHERS. Mr. President, reserving the right to object—and I shall not object—I did not hear what the majority leader said.

Mr. JOHNSON of Texas. I asked unanimous consent that the vote on Senate Concurrent Resolution 94, the Hungarian resolution, be deferred until after the first yea-and-nay vote on the tax bill today, so that Senators who are present to vote on the tax bill may immediately vote on the Hungarian resolution. If the vote should come now, many Senators who are absent from the Capitol would not have an opportunity to vote.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

Mr. SMATHERS. I have no objection.

The PRESIDING OFFICER. Without objection, the request is agreed to.

DOLLAR SALE OF UNITED STATES FRUIT TO UNITED KINGDOM

Mr. KNOWLAND. Mr. President, I ask unanimous consent to have printed in the RECORD, as a part of my remarks, a statement issued today by the Department of Agriculture relative to an agreement which has been entered into between the United States and the United Kingdom for the sale, through commercial channels, of fruit by the United States to Great Britain.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

PROSPECTS REPORTED GOOD FOR DOLLAR SALE OF UNITED STATES FRUIT TO UNITED KINGDOM

Good prospects for sale of substantial quantities of United States fruit to the United Kingdom for dollars for the first time since World War II were reported today by the United States Department of Agriculture. Such sale would be a major step toward regaining the British dollar market for United States fruit producers, according to USDA spokesmen.

Department optimism toward possibility of United States fruit exporters making commercial dollar sales to Britain was based upon a recent announcement by the board of trade in London indicating that about $20 million

(f. o. b. cost) would be allocated for imports of fresh, canned, and dried fruit from the dollar area for the coming 1958–59 fruit season. The area consists of the United States, Canada, Cuba, and several Central American countries.

The board of trade indicated that Britain would import no more fruit from the United States under currency conversion or aid programs, such as title I of Public Law 480. Most United States fruit exports to the United Kingdom since World War II have been financed under currency-conversion programs. These programs were carried out with International Cooperation Administration funds in 1955–56; with both ICA and title I, Public Law 480, funds in 1956–57, and under title I, Public Law 480, in 1957–58.

Prior to World War II, the United Kingdom provided a traditional and significant market for United States fruit. During the past 10 years Britain prohibited dollar imports of United States fruits, with the exception of limited quantities of apples, canned pineapple, and concentrated orange juice.

In order to continue fruit shipments to the United Kingdom, the United States has negotiated sales of surplus fruit under currency-conversion programs each season since 1953–54. These, however, were not entirely satisfactory from the United States trade standpoint.

This new program provides a continuing opportunity to market United States fruits in the United Kingdom on a dollar commercial basis.

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

EXTENSION OF CORPORATE AND EXCISE TAX RATES

Mr. JOHNSON of Texas. Mr. President, I ask the Chair to lay before the Senate the unfinished business.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H. R. 12695) to provide a 1-year extension of the existing corporate normal tax rate and of existing excise tax rates.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Michigan [Mr. McNAMARA].

Mr. McNAMARA. Mr. President, I should like to address a question to the majority leader: Will there be the usual quorum call at the conclusion of morning business?

Mr. JOHNSON of Texas. I will do as the Senator desires. Will the Senator yield to me with the understanding that I will suggest the absence of a quorum, and that the Senator from Michigan will not lose the floor?

Mr. McNAMARA. That is agreeable to me.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senator from Michigan may yield to me for the purpose of suggesting the absence of a quorum, and that he shall retain the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McNAMARA. Mr. President, I intend to speak very briefly today on my amendments to repeal and reduce automotive excise taxes.

I presented my major argument in behalf of these amendments yesterday, before they were temporarily laid aside so that the distinguished Senator from Illinois [Mr. DOUGLAS] could offer his overall tax-reduction proposals.

The Senator from Illinois did his usual masterful job in detailing the need for broad tax reductions.

To return to my own amendments, I sincerely hope they will not meet with the same fate, because I believe revision of the auto excise taxes is of extreme importance to the American economy.

My amendments would accomplish the following results:

First. Repeal the 10-percent excise tax on passenger cars, retroactive to March 1, 1958.

Retroactivity is necessary in order to keep faith with those who bought cars during the spring season even though there was then discussion about removing the tax.

Second. Reduce the 10-percent excise tax on trucks and buses to 5 percent—also retroactive to March 1, 1958.

I should like to emphasize again that cutting the truck tax in half will not reduce the amounts from this tax payable under the law to the highway trust fund.

Third. Repeal the 8-percent excise tax on auto parts and accessories, effective July 1, 1958.

Repealing the parts and accessories tax will aid, among others, farmers and truckers who find this tax on tractor and truck parts especially burdensome.

Mr. President, I have heard some of my colleagues say they are interested in tax reduction, but that they are not too enthusiastic about removing auto excise taxes, on the ground that the auto industry may not be too important in their States.

I respectfully say that this view is very shortsighted.

Stimulating auto sales by eliminating the excise tax will help the entire economy, and thus help every State in the Union.

I shall cite a few facts to support my argument.

One of every seven workers in this country depends upon the auto industry in some fashion for his pay check.

One of every six businesses in the Nation is directly dependent upon the manufacture, distribution, servicing, and use of motor vehicles.

There are more than 41,000 franchised auto dealers, and they alone employ more than 620,000 persons.

There are 180,000 gasoline service stations across the Nation with 550,000 employees.

And 79,000 repair shops have 189,000 employees.

Automobile insurance premiums total more than $4½ billion a year.

Motor user taxes contribute 30 percent of total State revenues.

I could continue quoting statistics which show how important the automotive industry is to all areas of our country, but I think I have made my point.

Cutting the automotive excise taxes will, I am convinced, greatly stimulate sales. The resulting increase in sales will, in turn, benefit all the specific areas I have mentioned, and many more.

What I seek, Mr. President, is a prosperous economy, not only in my State of Michigan but in the other 47 as well.

Adoption of my amendments is a significant method of helping to restore this prosperity.

Mr. President, I believe most of us in the Senate remember our emergence from the last depression which afflicted this country. I refer to the last great depression of the early 1930's. It is certainly recognized by most students of that period that the economy of our country was led out of the depression by the automobile industry, with the picking up of sales of automobiles and trucks.

In the present state of our economy, not much is needed to get us off dead center and headed back to prosperity. Congress has already made some contributions. We have put into effect a stepped-up road program, which is employing tens of thousands of people throughout the country. Our extension of unemployment insurance, which makes it possible for some States, at least, to help the unemployed and to put some money into the economy, is also of some benefit. I know I expressed some dissatisfaction with the bill because it did not go far enough, but the legislation is doing some good. Our stepped-up housing program is already showing its effect in the construction of small homes. All these programs have been helpful. We need just a little more. Perhaps my proposal is exactly what we need.

I recognize that the distinguished chairman of the Committee on Finance must take a hold-the-line position on taxes. Generally when a committee comes to the Senate with a report and recommendation I am in favor of the committee's position, because I believe our system lends itself to the committee procedure. I generally support the committee report and the recommendation of the committee, but in this case I feel that the present state of economy requires us to take the step I propose.

If we look back to history to what happened during the early 1930's, and the contribution which the automobile industry made in getting us out of that depression, we ought to give very serious consideration to my proposal, and I hope the distinguished chairman of the Committee on Finance will do just that. This may be the turning point. I know that my colleague from Michigan and I could quote a great many statistics and could talk on this subject for long hours.

I rest my case for the present. I hope every Senator will give serious consideration to my amendments.

Mr. POTTER. Mr. President, first, I commend my colleague from Michigan for his remarks and also for the amendments. I associate myself with them. I sincerely hope that Senators will not conclude that because the distinguished members of the Committee on Finance have said earlier that no amendments will be accepted, the Senators who must represent their own respective States and their own respective viewpoints will allow the meritorious position of the Committee on Finance to sway their individual thinking on this question.

I think most Senators with whom I have talked agree that the excise tax on automobiles and trucks is an unjust tax and should be repealed. The reason which has been given for not favoring the repeal or the reduction of the excise tax on automobiles and trucks is the fear that it might not be possible to hold the line against efforts to remove other excise taxes or to lower the personal income taxes.

This is a special type of tax. Two years ago Congress removed the excise taxes on theater tickets. That was done as an isolated case, without other amendments being accepted by the committee.

Mr. President, there is a problem in the automobile industry in the State of Michigan. This is true not only of Michigan, but throughout the country.

It used to be true that when we thought of the automobile industry, we thought of it primarily as a Michigan industry. Today automobiles are manufactured in all sections of the country, North, South, East, and West. The automobile industry affects all sections of the country, so far as employment either directly in the industry or with its suppliers is concerned. More important is the relationship to our constituents, irrespective of where we live, since they are automobile buyers. They are automobile consumers. They are the ones whom the tax reduction will benefit. They are the ones who will receive the purchasing power, which in turn will make it possible for them to buy automobiles, which will create jobs to relieve the unemployment problem.

I am not advocating this proposal as legislation particularly for one industry. I remind my colleagues that the automobile industry is one which has been really discriminated against in the field of taxation. A report has been made from which I shall quote quite extensively. It is covered in testimony given by Robert Bryar before the Excise Taxes Subcommittee of the House Committee on Ways and Means. Mr. Bryar points out five different basic reasons to remove the excise tax on automobiles.

First. The excise tax constitutes class legislation, bearing down heaviest on those who are most dependent on vehicles for necessary economic purposes and on those in the lower-income group.

Second. Such taxes impede the free flow of commerce.

Third. Such taxes are an extreme example of multiple taxation.

Fourth. The taxes constitute a handicap to demand and employment in the automotive and widely ramified related industries.

Fifth. In the face of these major considerations, automotive products today are virtually the only important items subjected to increased rates at the time of the Korean emergency which have not received subsequently either outright tax cancellation or at least substantial reduction.

The impact of automotive excise taxes in relation to economic necessity is highlighted by the fact that traffic surveys show that more than half of all passenger-car mileage is for necessary purposes and that 35 percent—and this includes shopping—of all automobile trips are connected directly with earning a living or with other basic, vital activity. In excess of 90 percent of the country's 54 million passenger cars are used wholly or in significant part every week for essential purposes.

Because motor vehicles—cars and trucks—are the only economic means for hauling seeds, feeds, fertilizers and other supplies to the farms, and the only means of hauling produce and livestock to market, the excise taxes are unfair to farm owners. Farmers, incidentally, are the largest class of truck owners, operating approximately 2.7 million of the Nation's 10 million trucks.

The automotive excise taxes are unfair to a large group of people who use automotive transportation not because of choice but literally because they must. They are the 5.6 million people who live in cities, towns, and villages where there are no streetcars, public buses, or rail service. Thus these people are subjected to a tax inequity purely by accident, because they happen to live where they do.

Automotive excise taxes are unfair to lower income groups. Those earning less than $4,000 a year comprise 44 percent of the passenger-car owners. They represent the 15.5 million families of relatively smaller resources, and are the group which some political strategists have in mind when they say it is not feasible politically to impose either a general manufacturers excise tax or a sales tax. Yet the members of this large group of motorists, through automotive excise taxes, bear an extra burden of taxation because necessity use looms so importantly in their motor-vehicle ownership.

It is true that a substantial number of the lower income group buy used cars, but the price paid nevertheless reflects the initial excise tax on the car when it was sold. In addition, those persons continue to pay the tax on spare parts, tires, and so forth, which are needed increasingly to keep the aging cars in operation.

Another departure from the accepted tax policies of uniform treatment lies in the impact of the automotive excise taxes on the manufacturer. The taxes do not become less discriminatory in the automobile industry merely because they are passed along to the consumer as a higher cost of doing business.

The motor vehicle industry competes with many others for the consumers' favor. The current boom of the so-called discount stores and the comparative shopping in which buyers generally engage before making major purchases show the importance of prices in the market. To cite a few conspicuous examples of the relationship between this industry and other industries, streetcars, subway trains, railroad rolling stock, trolley coaches, and all other forms of transportation except automotive are free from manufacturers excise taxes. Tractors, combines, hay loaders, and all other mechanized farm implements except the farm truck are free from the manufacturers excise tax. Machine tools, conveyors, packaging machinery, and all other industrial equipment except the truck are exempt from the manufacturers excise tax. Bulldozers, tractors, cranes, cement mixers, hoisting equipment, and all other mechanized construction equipment except the truck are exempt from the manufacturers excise tax.

Because existing tax laws discriminate by singling out one type of transportation to carry a special burden, they automatically impede that part of commerce borne by the motortruck. In the whole transportation system, only one of several available means of hauling is subject to the Federal manufacturers' excise taxes. All other competing forms are relatively free from such taxes. Carrying the Nation's essential goods and food over the highways, motortrucks and truck trailers, traveling more than 100 million miles a year, also continue, as long as they are in use, to carry a punitive tax load. As in the case of passenger cars, the Federal tax burden does not end with the purchase tax on the new unit. To maintain and operate a truck means a continuous round of additional payments of excise taxes on replacement parts.

In terms of transportation, there is no difference between automotive parts and aircraft parts. In terms of transportation, there is no difference between truck wheels and railroad wheels, between motor vehicle engines and those used for other forms of transportation—that is to say, there is no functional difference. However, there is another difference.

Only the automotive items are subject to a Federal excise tax. The Federal automotive excise taxes, superimposed, as they are, on a long list of State and local taxes, probably constitute one of the most extreme examples of multiple taxation ever brought to the attention of the Senate. Exclusive of Federal excise taxes, motor vehicles are subject to more than 40 different taxes.

In the case of a car delivered to the consumer at an average price of $2,000, more than $500 of the purchase price consists of taxes—$146 being Federal excise taxes. This Federal excise-tax segment is by far the largest piece of the total tax bill which the new car buyer must pay before he can take delivery. In 1955, highway users—the owners and operators of motor vehicles—paid State, local, and Federal automotive taxes totaling more than $7 billion. Such taxes include registration fees, State

gasoline taxes, city and county taxes, bridge, tunnel, ferry, and road tolls, and excise taxes. This is in addition to general taxes paid by owners, such as income and personal property taxes.

I think all Senators will agree with me that these taxes represent not only a conspicuous multiplication, but also a burden of high proportions on a commodity which is universally essential in our daily lives.

Moreover, nearly 1 million workers are employed in the motor-vehicle industry. Many of them are employed in various phases of industry which are related to the automobile industry—for example, the steel, glass, rubber, and other industries. The automotive economy is no loose phrase when applied to the United States. In the United States, more than 1 out of every 7 employed persons works in the manufacture, distribution, service, or use of motor vehicles. One of every six patents issued is automotive. One business in six is automotive. One of every four retail dollars spent is automotive. Aside from the direct employment in automobile industries, the motor vehicle is responsible for a large proportion of the economy in other industries, as I have mentioned. Manufacturers of motor vehicles and parts pay for 23 percent of all steel, 69 percent of all plate glass, 72 percent of all upholstery leather, 41 percent of all lead, 29 percent of all zinc, and 10 percent of all copper sold in the United States.

These statistics represent the extent to which the national prosperity and economic stability are dependent upon continued high automotive demand and production.

The automobile industry does not seek, and has never asked the Congress for, favored tax treatment. On the contrary, all it has sought, and all it now asks, is equitable treatment. Of all the products on which Federal excise tax rates were increased during the Korean war, those of the automobile industry are practically the only ones of major importance which have not been accorded a substantial reduction. The list of such relieved products is long, but interesting: Motorcycle taxes, once 10 percent, have been eliminated. The tax on golf clubs and sporting goods, once 15 percent, has been reduced one-third. The tax on cameras, once 20 percent, has been cut in half. The taxes on refrigerators and freezers, once 10 percent, have been cut one-half. The taxes on perfumes, cosmetics, and toilet preparations, once 20 percent, have been cut in half. The taxes on mink and other fur coats and on diamond bracelets and other jewelry likewise have been cut in half. In a very direct sense, the automobile industry competes with all these products for the consumers' favor; and certainly no one will argue that mink capes or diamond bracelets or play equipment for adults are more important to the economy or to the individual than the passenger car and the truck. We do not believe that this discrimination is intended by Congress; more likely it is the result of legislative accident or oversight or appeals to relieve temporary hardship conditions in other industries. Whatever the cause, the result appears difficult to justify.

I believe we can justly say that when it comes to the question of taxation, the automobile industry has never brought pressure to bear upon Congress, as have many of the other industries which have had tax relief.

This amendment is not a tax proposal for the benefit of manufacturers. It is a tax proposal which will bring about more consumer business, so that consumers, in turn, may buy more automobiles, which, in turn, will put men back to work. That is the purpose of the amendment.

Mr. President, many persons assume that this proposed tax adjustment would be of benefit primarily to the State of Michigan. However, first, I wish to comment on the statement which was made a moment ago, namely, that the recession which exists today is really an automobile recession. The automobile industry declined first, and has remained in a depressed condition longer; while other industries have started back on the road to economic recovery, the automobile industry has not done so. If, by means of the removal of this tax, we can give a boost to the automobile industry, I am sure the total economy will be aided, as a result.

Mr. BARRETT. Mr. President, will the Senator from Michigan yield to me?

The PRESIDING OFFICER (Mr. MANSFIELD in the chair). Does the Senator from Michigan yield to the Senator from Wyoming?

Mr. POTTER. I yield.

Mr. BARRETT. At the outset, Mr. President, let me commend my distinguished colleague, the senior Senator from Michigan [Mr. POTTER], for his splendid statement. He has been an ardent and active advocate, not only for the best interests and the welfare of the automobile industry of his State, but also for all the people of Michigan. He has devoted a great deal of time and effort in connection with this particular problem.

I should like to ask my colleague several questions. First, what effect would his amendment have on the automobile dealers of the country—taking into consideration the fact that many of them have on hand large stocks of automobiles, and also the fact that the industry is about to convert from 1958 models to the production of the 1959 models.

Mr. POTTER. The amendment would be retroactive to March 1, in the case of floor stocks; the dealers would be reimbursed for the taxes they already have paid on the automobiles they had on their floors at that time. In turn, the March 1 retroactive feature would also be of benefit to the consumers.

Mr. BARRETT. The last statement the Senator from Michigan leads up to the next question I wish to ask, namely, What assurance have we that the proposed tax benefit would be passed on to the purchasers of automobiles?

Mr. POTTER. We have the word of the four leading automobile manufacturers, who have said they will pass on the tax reduction to the dealers. We know that the dealers are in a highly competitive industry. So I am convinced that, by force of competition, the dealers would have to pass on this benefit to the consumers.

Mr. BARRETT. Now tell me what effect will the amendment have on the automobile industry in Michigan?

Mr. POTTER. I can say to my distinguished friend, the Senator from Wyoming, that the amendment will have a very stimulating effect. The automobile industry can produce only the automobiles which can be sold. Today, there is much talk about the price of automobiles. When we consider—as stated in the remarks I have made, and also as stated in the remarks my colleagues have made—the multiple taxes which today are placed on automobiles, we must realize that the removal of the excise tax on automobiles will immediately reduce the price to the consumer.

I am convinced that there is a great pent-up demand for new automobiles. Thus, the adoption and enactment of this amendment will result in a greater demand for automobiles, which, in turn, will result in the manufacture of larger numbers of automobiles; and that, in turn, will lead to the creation of more jobs. So the amendment will have a stimulating effect, not only in Michigan, but throughout the rest of the country, for we must realize that today the automobile industry is not confined to the State of Michigan. Instead, there are assembly plants in every section of the country.

Besides that, there are the allied industries, such as the steel and the glass industries, which are affected by the well-being of the automobile industry. If we can get that industry moving ahead, I am sure it will provide the greatest shot in the arm to our economic growth when it is needed most.

Mr. BARRETT. I was quite impressed by the statement made by the Senator that the proposal will not affect solely the auto manufacturers in Michigan. I understand that it is the practice of the manufacturers to ship cars to dealers the minute they are ready for delivery, and so the dealers have considerable stocks of 1958 models on hand.

Mr. POTTER. The stocks are normally held by the dealers.

Mr. BARRETT. So I understand but how will they come out.

Mr. POTTER. The plan under the amendment is that dealers will be permitted to deduct the excise tax on the cars they have on hand.

Mr. BARRETT. The chief benefit will flow mainly to the dealers and the consumers. The only benefit the manufacturers will get from the amendment will be the increased business resulting therefrom. Is that correct?

Mr. POTTER. That is correct.

Mr. BARRETT. How long a period of time is covered by the amendment?

Mr. POTTER. The reduction proposed is a permanent one.

Mr. BARRETT. I heard some discussion in the Senate previously that the reduction would be limited to the balance of this year.

Mr. POTTER. I will say to my friend, and I am sure he will agree with me, that most of the excise taxes were imposed not for the primary purpose of raising revenue, but were imposed during the war period as a means of sales deterrents, so that badly needed steel and other products which the automobile industry used could be channeled into war industries. The excise tax was imposed really as a deterrent to sales, rather than as a means of securing revenue. That being the case, I say very frankly to my friend I think there is no more unfair tax than the present excise tax. There is no rhyme or reason to it. As I mentioned before in my remarks, the automobile excise tax is the only tax which was raised during the Korean war which has not been reduced. The taxes on perfumes, fur coats, diamond bracelets have been reduced, but not the automobile tax. I say it is grossly unfair.

Mr. BARRETT. I quite agree with the Senator from Michigan. The tax was imposed during the war in the first instance in order to discourage persons from buying automobiles and other products made of steel, and also as a means of conserving gasoline needed in the war effort, but it has turned out to be largely a punitive tax on the automobile industry. I cannot agree with the Senator that it is the most unfair tax, because it seems to me the tax which was imposed on the transportation of freight and passengers is by far the worst of all the excise taxes.

Mr. POTTER. The excise taxes as a whole have been unfair, because there has been no plan in imposing them; they have grown up like Topsy.

Mr. BARRETT. That is true.

Mr. POTTER. I concur with the Senator that the excise tax on freight is grossly unfair.

I point out to Senators representing Western States that they are also affected, because of geography, by the excise tax on automobiles. Whether one lives in the West, the North, the South, or the East, he pays a disproportionate share of the excise tax as compared with one who happens to live near the source of manufacture.

If the Senator from Wyoming will bear with me, let me give him some material I have in my hand. Under the current tax law and Internal Revenue Service regulations, certain transportation costs are deemed to be manufacturing costs, for the purpose of computing excise tax. It is obvious, therefore, that consumers in different areas pay different amounts of excise tax. For example, purchasers of automobiles in the Miami area in 1957 paid approximately $300,000 more in excise taxes on automobiles than was paid by purchasers of a similar number of automobiles who lived near the Detroit area. Los Angeles purchasers paid approximately $3¼ million more. Dallas purchasers paid approximately $225,000 more in excise taxes on automobiles.

I think it is important to recognize that in addition to the discriminatory feature of excise taxes on automobiles, residents of the South and West, for example, are subject to additional discriminations. Most certainly automobiles are not less of a necessity to persons in those areas; yet they are in fact penalized by accident of their residence.

Mr. BARRETT. I can agree with the Senator wholeheartedly. Wyoming and other Western States are penalized quite severely in this particular field.

Mr. POTTER. That is true.

Mr. BARRETT. The constitution of Wyoming requires that all taxes be imposed on a uniform basis, but we in the Congress have levied a tax which is a much heavier burden on the people of our Western States as compared with those living in other States.

Mr. POTTER. The excise tax on automobiles is most unfair to those who live farthest from the source of manufacture, because the tax is based on the transportation cost, not from the assembly line to the dealer, but from the source of supply or manufacture to the assembly line. For example, if there is an assembly plant in southern California which ships automobiles to Seattle, the parts are sent to the assembly plant from Michigan. The transportation cost, on which the excise tax is determined, is based on the shipment of parts from Michigan to southern California, and not from southern California to Seattle. So those who live farthest from the Michigan area are most discriminated against by this type of tax.

Mr. BARRETT. I may say to my distinguished friend from Michigan I expect to participate in the debate on the Smathers amendment, which would repeal the transportation tax on property and persons. I am sure all the arguments which are particularly applicable to the excise tax on automobiles will apply with equal force to the Smathers amendment.

Let me conclude by again congratulating the distinguished Senator from Michigan on the splendid case he is making for the automobile industry. I intend to support the amendment.

Mr. POTTER. I thank the Senator.

In conclusion, Mr. President, I should like to offer, and ask unanimous consent to have printed in the RECORD at this point certain telegrams stating the intention of the manufacturers to pass on the benefit of the elimination of the tax. Included is a telegram from L. L. Colbert, president of Chrysler Corp.; one from H. H. Curtice, president of General Motors Corp.; one from George Romney, president of American Motors Corp.; one from Henry Ford II, of the Ford Motor Co.; and one from Frederick J. Bell, executive vice president of the National Automobile Dealers Association.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

The Honorable CHARLES E. POTTER,
United States Senate.
Washington, D. C.:

Concerning your proposal to reduce the Federal excise tax on automobiles, such a reduction would stimulate business activity in the entire United States economy by making more of the consumer's money available for the purchase of goods of all kinds as well as automobiles. In addition to the beneficial effects upon the one out of every six businesses directly dependent upon the manufacture, distribution, servicing and use of motor vehicles, any increased activity in the automotive industry would be felt immediately in the steel, textile, rubber, glass, and machine tool industries which sell a large portion of their products to the automobile manufacturers.

Reduction of this tax must be made on all cars now in dealers' stocks. Protection must be given to purchasers between now and the enactment date.

Since the manufacturer pays the excise tax, we would, of course, reduce the cost of our automobiles to our dealers accordingly, and we will suggest to our dealers that they pass this on to the retail customers.

L. L. COLBERT,
President, Chrysler Corporation.

DETROIT, MICH., *March 11, 1958.*

United States Senator CHARLES E. POTTER,
Senate Office Building,
Washington, D. C.:

I endorse legislation designed to reduce or eliminate excise taxes. However, if legislation designed to reduce or eliminate excise taxes is publicized to potential purchasers of the affected items, it will materially slow up retail sales of automobiles, appliances, and other items as soon as known and understood by public and this condition will continue until legislation is effective or abandoned. Such a situation developed in the automobile industry in Canada on the basis of a mere rumor that the 1958 budget would eliminate excise taxes on automobiles and retail sales fell off sharply for a period of about 3 weeks until the budget was published, necessitating the closing of some manufacturing plants. Any such condition when the spring seasonal upturn in the automobile, appliance, and other markets should be developing could have serious consequences. In view of this suggest that any proposed legislation applicable to motor vehicles, refrigerators, air conditioners, electric appliances, or other items of substantial value immediately be made retroactive to any early date in March with provision for refund to manufacturer of applicable excise taxes subsequent to specified date, provided manufacturer, in turn, passes refund to distributors and dealers on wholesale transactions and the latter, in turn, pass refunds to customers on retail transactions.

With respect to inventories in the hands of dealers and distributors representing items purchased from the manufacturer prior to the specified date, a similar provision for refund of the excise tax to the manufacturer and by the manufacturer to the dealer should be incorporated in legislation so that dealer inventory may be liquidated on the same basis for dealer and his customers.

Finally, with respect to any reduction or elimination of excise taxes on any items manufactured and sold by General Motors, including motor vehicles, effective with the enactment and effective date of legislation for that purpose, General Motors will pass along the savings resulting therefrom to its distributors and dealers and will ask them in turn to pass the savings on to the retail customers.

H. H. CURTICE,
President, General Motors Corp.

DETROIT, MICH., *March 11, 1958.*

The Honorable CHARLES E. POTTER,
United States Senate,
Washington, D. C.:

American Motors would pass on to our dealer customers the benefit of excise tax reduction on appliances and cars and would encourage our dealers to pass benefits on to their customers. We support prompt elimination of these excise taxes. Prolonged consideration would add to public uncertainty and be harmful.

GEORGE ROMNEY,
President, American Motors Corp.

DEARBORN, MICH., *March 11, 1958.*
Hon. CHARLES E. POTTER,
Senate Office Building,
Washington, D. C.:

You may be assured that any reduction in the automobile excise tax that may be determined by the present session of the Congress will be excluded from our charges to our dealers and that we will make specific recommendations to them that they, in turn, exclude the amount of any such reduction from their charges to their customers.

HENRY FORD II.

WASHINGTON, D. C., *March 11, 1958.*
The Honorable CHARLES E. POTTER,
United States Senate, Washington, D. C.:

The following telegram was sent this morning to the President is passed to you for information and appeal for your support:

"The PRESIDENT,
"The White House,
"Washington, D. C.:

"The 25,000 franchised automobile dealers who comprise the National Automobile Dealers Association urge most respectfully and emphatically that the manufacturers' excise tax on automobiles, parts and accessories be removed. Our members have pledged themselves to pass along immediately to the consumer the cost benefits that would thus accrue when passed to the dealer by the manufacturer. In the opinion of these many thousands of small-business men this action would be dramatic, heartening and of immediate benefit in removing the log jam that seems to be bottling up consumer confidence in the current state of the economy.

"FREDERICK J. BELL,
"Executive Vice President, National
"Automobile Dealers Association."

Mr. MONRONEY. Mr. President, I rise in support of the amendment of the distinguished Senator from Michigan [Mr. MCNAMARA]. I should like to endorse the very fine statements that have been made in respect to the need for the adoption of the amendment, to relieve the buyers of automobiles of the 10 percent excise tax.

I make it clear, Mr. President, that there are no automobile factories, no producers of automobile parts of any nature, nor is there any automobile manufacturing of any type within the State I have the honor, in part, to represent. The people I represent are all consumers of these products.

My remarks stem primarily from the experience I have had as chairman of the Automobile Marketing Subcommittee of the Interstate and Foreign Commerce Committee.

I agree we are in an automobile recession. The automobiles did not cause the recession, but when automobile sales seriously declined the recession came upon us. The recession will continue until automobile sales pick up. I feel we would be penny wise and pound foolish if in reaching for a billion dollars in regressive excise taxes, we slow down the entire economy. This is the effect of overloading a super sales tax on our No. 1 manufacturing industry. That is exactly what has happened.

My experience, from talking to hundreds of automobile buyers and dealers and others, is that the automobile has been priced out of the market. There is no way American production ingenuity can absorb the tax of $200 or $300 on the Federal excise level and perhaps another $200 or more at the State level, and not have so much air pumped into the price of the product that what I call "Mama and papa price control" starts to work. In other words, there simply is not a sufficient value, when the dollar gets tight, for the consumer to be willing to make such an extra investment in transportation.

I know the disinguished senior Senator from Virginia [Mr. BYRD] will properly argue that the Government must have revenue. With that statement I am in complete and total accord. I would not be in favor of the repeal of this particular tax if I did not feel sincerely, based on the experience we have had in the study of automobile marketing, that the repeal of this 10 percent tax will result in greater revenues than a continuation of the burdensome tax and the consequent continuing recession within America's No. 1 industry. If the automobile industry is in an unhealthy condition, the income tax which the manufacturers and others pay in such large amounts on earned income will decline. This fact bears a direct relationship to our present problem. Taxes paid can be related directly to the number of automobiles sold.

I should like to point out that in the banner year of 1955 there was a production of 7 million automobiles, and the 3 major automobile companies alone—General Motors, Ford, and Chrysler—paid 10 percent of the entire corporate income tax paid in the United States. Also, compared with the total of $75 billion collected from all taxes, these 3 manufacturers in the automobile industry paid about $1 of every $37 collected.

In the year 1955 when the automobile manufacturers had a 7-million-car year, the best they had ever had, General Motors alone paid $1,353 million in taxes, while Ford paid more than a half billion dollars and Chrysler paid $118 million. The Government collected $2 billion in taxes from the 3 large manufacturers.

Sales slumped in 1956 and 1957, and what happened? The automobile sales went from 7 million down to approximately 6 million cars, and the Government lost a billion dollars in revenue—down to about $1.1 billion—from the decrease of 1 million in car sales for the year. It is no guesswork that automobile sales will fall to perhaps 4.2 million this year if the tax on the automobile industry is not repealed. If that happens, the $1,219 million paid by those 3 large companies last year, on the profits they made—of which Uncle Sam gets 52 percent—will decline substantially. The 3 manufacturers will probably not pay $1.2 billion; they probably will not pay a red penny, when the earnings of the 3 companies are aggregated. If we permit this condition to continue we will "wash out," on those manufacturers alone, over a billion dollars, because they will be in a loss area. Furthermore, if the losses are as great as I suspect they will be, they can be carried over so that the loss which is sustained this year will be able to be deducted from income taxes the manufacturers owe in other years.

Mr. President, I have only referred to the three giant companies. In addition, the automobile dealers of the United States number 40,000 and are the largest element of our small-business community. Most of those dealers pay substantial income taxes when business is good.

In 1955, during the banner car year, dealers' profits on sales were 1.7 percent. That brought in to the Government, I estimate, perhaps another billion dollars, or approaching that sum, from income taxes on payrolls, and other taxes which are levied. When the dealers are making money the Federal Treasury gets 52 percent override on all they make, too.

I point out, Mr. President, in connection with the dealer profits on sales, that this year for the first quarter dealers show nearly a 1-percent deficit on sales, whereas in 1955 the dealers showed nearly a 2-percent profit on sales. Consequently, the Government will receive little income from taxes on the dealers. There also will be a declining tax received from employees of such dealers, as well as from the 17 percent unemployed in the State of my distinguished colleague [Mr. MCNAMARA]. Not only will those workers not be paying income taxes, but they are drawing down the benefits, meager though they be, from the unemployment-compensation reserves, accumulated through the good years.

I think it is good business to try, with respect to the No. 1 industry, to find out if regressive taxes react in such a way as to cost the Treasury money. I believe they do, from my study of the matter. I believe we will live to regret the day we did not unload a part of the super sales tax which today, I feel, has the greatest deterrent effect in its regressive application to business—a greater deterrent effect than has any other tax which is imposed.

In our investigation of automobile marketing throughout the United States I have learned that there will be no hope of recovery this year, no matter what else we may do, unless we take action to relieve the automobile industry from the excise tax.

In other words, if one does not feed the hay to the horse, one might save money immediately by cutting down on the feed, but in the long run the horse will not be able to pull the load. That is exactly the problem with which we are faced in considering this regressive tax on our No. 1 industry.

Mr. MCNAMARA. Mr. President, will the Senator yield?

Mr. MONRONEY. I am happy to yield to my distinguished colleague, whose amendment I support. I urge other Members of the Senate to give support to it as well.

Mr. MCNAMARA. Mr. President, I thank the distinguished chairman of the Automobile Marketing Subcommittee for his very scholarly and profound statement in support of my amendment. I am sure the Senator is in a position from experience to speak with authority. I hope the other Members of the Senate will pay attention to the recommendations the Senator has made as to removing this super sales tax, as he so appropriately refers to it. This excise tax should be removed from America's

No. 1 industry, to help us out of the depression.

Mr. President, if I may be allowed to do so at this point I should like to ask unanimous consent that a copy of a telegram I just received from the Governor of Michigan be printed in the RECORD at this point.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

LANSING, MICH., *June 19, 1958.*

Hon. PATRICK V. MCNAMARA,
United States Senator,
Senate Office Building,
Washington, D. C.

Your amendment to remove auto excise taxes retroactive to March 1, will, if successful, be a major step toward reversing the growth of unemployment. Five out of six cars assembled in Michigan are sold in other States. If the excise tax is removed it means a direct stimulus to automobile sales across the country with a consequent direct effect on Michigan's employment.

My congratulations to you for your continued effort to help Michigan workers by getting the excise tax removed. I hope you are successful in the vote on this question this afternoon.

G. MENNEN WILLIAMS, *Governor.*

Mr. MONRONEY. I thank my distinguished colleague.

Mr. President, in closing, let me say that this is the one adjustment in the tax bill which I feel will not cost the United States money but will yield much more money in the long run through income taxes of 52 percent paid to Uncle Sam. We should not continue to try to squeeze a few drops of juice out of automobile sales and fail to have any income coming in from the profits of the mighty automobile industry.

Mr. POTTER. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. POTTER. I wish to commend the Senator from Oklahoma for bringing out a point which I think is often overlooked. I refer to the fact that when the industry is depressed and dealers are losing money rather than making money, there is a loss to the Government in revenue from corporation taxes which it would otherwise receive.

I agree with the distinguished Senator that the amount of revenue brought in by the excise tax, which is one-billion-dollars-plus, will be compensated for many-fold by the stimulation of business, by putting the wheels in motion again. The loss in revenue involved in the elimination of the excise tax will be more than made good by increased revenue from corporation taxes. Dealers will again be making money, and there will be an increase in the income tax from employees.

After World War II, Canada reduced her taxes three times before we reduced ours. After each tax reduction her national revenue increased. I thoroughly agree with the distinguished Senator that the Federal Government would gain revenue rather than lose money by the elimination of the excise tax.

Mr. MONRONEY. I think it is absolutely provable that if the prices of the popular-priced cars were reduced immediately by $200 or $300, there would be a larger number of cars sold. I do not think anyone would dispute that statement. If a poll were taken on the street, it would be found that 2 out of every 10 people would say that they are ready to buy at a reduced price.

I think it is provable, from past statistics, that when automobile production slumped 1 million between 1955 and 1956, the Government lost $1 billion in taxes from the 3 giant companies.

The process also works the other way. An increase by 1 million in sales would return to the Treasury $1 billion from the Big Three alone—not to mention the revenues paid in by thousands of dealers and factory workers who pay 20-, 40-, and 50-percent taxes on their income.

The PRESIDING OFFICER (Mr. SMATHERS in the chair). The question is on agreeing to the amendments offered by the Senator from Michigan [Mr. MCNAMARA].

Mr. DIRKSEN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Fulbright	Morse
Allott	Green	Morton
Anderson	Hayden	Mundt
Barrett	Hennings	Murray
Beall	Hickenlooper	Neuberger
Bennett	Hill	O'Mahoney
Bible	Hoblitzell	Pastore
Bricker	Holland	Payne
Bridges	Hruska	Potter
Bush	Humphrey	Proxmire
Butler	Ives	Purtell
Byrd	Javits	Revercomb
Capehart	Johnson, Tex.	Robertson
Carlson	Johnston, S. C.	Russell
Carroll	Jordan	Saltonstall
Case, N. J.	Kefauver	Schoeppel
Case, S. Dak.	Kennedy	Smathers
Chavez	Kerr	Smith, Maine
Church	Knowland	Smith, N. J.
Clark	Kuchel	Sparkman
Cooper	Langer	Stennis
Cotton	Lausche	Symington
Curtis	Long	Talmadge
Dirksen	Magnuson	Thurmond
Douglas	Malone	Thye
Dworshak	Mansfield	Watkins
Eastland	Martin, Iowa	Wiley
Ellender	Martin, Pa.	Williams
Ervin	McClellan	Young
Flanders	McNamara	
Frear	Monroney	

Mr. MANSFIELD. I announce that the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business because of duty with the Air Force.

The Senator from Indiana [Mr. JENNER] is necessarily absent.

The PRESIDING OFFICER. A quorum is present. The question is on agreeing to the amendments offered by the junior Senator from Michigan [Mr. MCNAMARA].

Mr. MCNAMARA. Mr. President, I ask for the yeas and nays on the pending amendments.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

On this vote the Senator from Tennessee [Mr. GORE] is paired with the Senator from Texas [Mr. YARBOROUGH]. If present and voting, the Senator from Tennessee [Mr. GORE] would vote "yea" and the Senator from Texas [Mr. YARBOROUGH] would vote "nay."

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business because of duty with the Air Force.

The Senator from Indiana [Mr. JENNER] is necessarily abent.

If present and voting, the Senator from Arizona [Mr. GOLDWATER] would vote "yea."

The result was announced—yeas 32, nays 59, as follows:

YEAS—32

Barrett	Hennings	Morse
Beall	Humphrey	Murray
Bible	Ives	O'Mahoney
Bricker	Johnston, S. C.	Pastore
Butler	Kennedy	Potter
Capehart	Langer	Proxmire
Carroll	Magnuson	Purtell
Clark	Malone	Smathers
Douglas	Mansfield	Symington
Fulbright	McNamara	Thye
Hayden	Monroney	

NAYS—59

Aiken	Flanders	Morton
Allott	Frear	Mundt
Anderson	Green	Neuberger
Bennett	Hickenlooper	Payne
Bridges	Hill	Revercomb
Bush	Hoblitzell	Robertson
Byrd	Holland	Russell
Carlson	Hruska	Saltonstall
Case, N. J.	Javits	Schoeppel
Case, S. Dak.	Johnson, Tex.	Smith, Maine
Chavez	Jordan	Smith, N. J.
Church	Kefauver	Sparkman
Cooper	Kerr	Stennis
Cotton	Knowland	Talmadge
Curtis	Kuchel	Thurmond
Dirksen	Lausche	Watkins
Dworshak	Long	Wiley
Eastland	Martin, Iowa	Williams
Ellender	Martin, Pa.	Young
Ervin	McClellan	

NOT VOTING—5

Goldwater	Jackson	Yarborough
Gore	Jenner	

So Mr. MCNAMARA's amendments were rejected.

Mr. JOHNSON of Texas. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. KNOWLAND. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

ADJUSTMENT OF CONDITIONS OF EMPLOYMENT IN THE CANAL ZONE

The PRESIDING OFFICER (Mr. SMATHERS in the chair) laid before the Senate the amendments of the House of Representatives to the bill (S. 1850) to adjust conditions of employment in departments or agencies in the Canal Zone, which were to strike out all after the enacting clause and insert:

FINDINGS

SECTION 1. (a) The Congress of the United States of America hereby finds that the Gov-

ernment of the United States of America and the Government of the Republic of Panama on January 25, 1955, entered into a treaty (known as the Treaty of Mutual Understanding and Cooperation), to which was attached a Memorandum of Understandings Reached (otherwise referred to as the Memorandum of Understanding), signed by such Governments on such date.

(b) The Congress further finds that, under such Memorandum of Understandings, the Government of the United States assumed certain obligations set forth in item 1 of such Memorandum as follows:

"1. Legislation will be sought which will authorize each agency of the United States Government in the Canal Zone to conform its existing wage practices in the zone to the following principles:

"(a) The basic wage for any given grade level will be the same for any employee eligible for appointment to the position without regard to whether he is a citizen of the United States or of the Republic of Panama.

"(b) In the case of an employee who is a citizen of the United States, there may be added to the base pay an increment representing an overseas differential plus an allowance for those elements, such as taxes, which operate to reduce the disposable income of such an employee as compared with an employee who is a resident of the area.

"(c) The employee who is a citizen of the United States will also be eligible for greater annual leave benefits and travel allowances because of the necessity for periodic vacations in the United States for recuperation purposes and to maintain contact with the employee's home environment.

"Legislation will be sought to make the Civil Service Retirement Act uniformly applicable to citizens of the United States and the Republic of Panama employed by the Government of the United States in the Canal Zone.

"The United States will afford equality of opportunity to citizens of Panama for employment in all United States Government positions in the Canal Zone for which they are qualified and in which the employment of United States citizens is not required, in the judgment of the United States, for security reasons.

"The agencies of the United States Government will evaluate, classify, and title all positions in the Canal Zone without regard to the nationality of the incumbent or proposed incumbent.

"Citizens of Panama will be afforded opportunity to participate in such training programs as may be conducted for employees by the United States agencies in the Canal Zone."

(c) The Congress further finds that the enactment of legislation containing a statement of general policies and principles and other provisions in implementation of item 1 of such Memorandum of Understandings is necessary to the faithful and proper discharge of the obligations assumed by the Government of the United States under such item.

DEFINITIONS

SEC. 2. As used in the following provisions of this act, the term—

(1) "department" means a department, agency, or independent establishment in the executive branch of the Government of the United States (including a corporation wholly owned or controlled by the United States) which conducts operations in the Canal Zone;

(2) "position" means those duties and responsibilities of a civilian nature under the jurisdiction of a department (A) which are performed in the Canal Zone or (B) with respect to which the exclusion of individuals from the Classification Act of 1949, as amended, is provided for by section 202 (21) (B) of such act as amended by section 16 (a) of this act;

(3) "employee" means any individual holding a position; and

(4) "continental United States" means the several States of the United States of America existing on the date of enactment of this act and the District of Columbia.

GENERAL RULES FOR EMPLOYMENT AND WAGE PRACTICES OF UNITED STATES GOVERNMENT IN THE CANAL ZONE

SEC. 3. (a) The head of each department is authorized and directed to conduct the employment and wage practices in the Canal Zone of such department in accordance with—

(1) the principles established in item 1 of the Memorandum of Understandings set forth in section 1 (b) of this act,

(2) the provisions of this act;

(3) the regulations promulgated by, or under authority of, the President of the United States in accordance with this act; and

(4) provisions of applicable law.

(b) The President is authorized, to the extent he deems appropriate—

(1) to exclude any employee or position from this act or from any provisions of this act, and

(2) to extend to any employee, whether or not such employee is a citizen of the United States, the same rights and privileges as are provided by applicable laws and regulations for citizens of the United States employed in the competitive civil service of the Government of the United States.

EMPLOYMENT STANDARDS

SEC. 4. (a) The head of each department shall establish written standards, in conformity with this act, the regulations promulgated under section 15 (b) of this act, and the Canal Zone Merit System established under section 10 of this act, for—

(1) the determination of the qualifications and fitness of employees and of individuals under consideration for appointment to positions, and

(2) the selection of individuals for appointment, promotion, or transfer to positions.

(b) Such standards shall be placed in effect on such date as the President shall prescribe but not later than the 180th day following the date of enactment of this act.

COMPENSATION

SEC. 5. (a) The head of each department shall establish and may revise, from time to time, in accordance with this act, the rates of basic compensation for positions and employees under his jurisdiction.

(b) Such rates of basic compensation may be established and revised in relation to the rates of compensation for the same or similar work performed in the continental United States or in such areas outside the continental United States as may be designated in regulations promulgated under section 15 (b) of this act.

(c) The head of each department may grant increases in such rates of basic compensation in amounts not to exceed the amounts of the increases granted, from time to time, by act of Congress in corresponding rates of compensation in the appropriate schedule or scale of pay. The head of the department concerned may make such increases effective as of such date as he may designate but not earlier than the effective date of the corresponding increases provided by act of Congress.

(d) No rate of basic compensation established under this section shall exceed by more than 25 percent, when increased by the amounts of the allowance and the differential authorized by section 7 of this act, the rate of basic compensation for the same or similar work performed in the continental United States by employees of the Government of the United States.

(e) The initial adjustments in rates of basic compensation under authority of this section shall be effective on the first day of the first pay period which begins more than 60 days after the date on which regulations are promulgated under section 15 (b) of this act.

UNIFORM APPLICATION OF EMPLOYMENT STANDARDS AND RATES OF COMPENSATION

SEC. 6. The employment standards established under section 4 of this act and the rates of basic compensation established under section 5 of this act shall be applied uniformly, within and among all departments, to the respective positions, employees (other than employees who are citizens of the United States and are assigned to work in the Canal Zone on temporary detail), and individuals under consideration for appointment to positions, irrespective of whether the employee or individual concerned is a citizen of the United States or a citizen of the Republic of Panama.

ADDITIONAL ALLOWANCE AND DIFFERENTIAL

SEC. 7. (a) Each employee who is a citizen of the United States shall receive, in addition to basic compensation at the rate established under section 5 of this act, such amounts as the head of the department concerned may determine to be payable, as follows:

(1) an allowance for taxes which operate to reduce the disposable income of such United States citizen employee in comparison with the disposable incomes of those employees who are not citizens of the United States; and

(2) an overseas (tropical) differential not in excess of an amount equal to 25 percent of the aggregate amount of the rate of basic compensation established under section 5 of this act and the amount of the allowance provided in accordance with paragraph (1) of this subsection.

(b) The allowances and differentials provided for by subsection (a) of this section shall become effective initially on the first day of the first pay period which begins more than 60 days after the date on which regulations are promulgated under section 15 (b) of this act.

SECURITY POSITIONS

SEC. 8. Notwithstanding any other provision of this act but subject to regulations promulgated under section 15 (b) of this act, the head of each department may designate any position under his jurisdiction as a position which for security reasons shall be filled by a citizen of the United States.

BENEFITS BASED ON COMPENSATION

SEC. 9. For the purpose of determining—

(1) amounts of insurance under the Federal Employees' Group Life Insurance Act of 1954, as amended (5 U. S. C. 2091–2103),

(2) amounts of compensation for death or disability under the Federal Employees' Compensation Act, as amended (5 U. S. C. 751 et seq.),

(3) amounts of overtime pay or other premium compensation,

(4) benefits under the Civil Service Retirement Act, as amended (5 U. S. C. 2251–2267),

(5) annual leave benefits, and

(6) any other benefits which are related to basic compensation,

the basic compensation of each employee who is a citizen of the United States shall include—

(A) the rate of basic compensation for his position established in the manner provided by section 5 of this act, and

(B) the amount of the allowance and the differential determined in the manner provided by section 7 of this act.

CANAL ZONE MERIT SYSTEM

SEC. 10. (a) There shall be established, in conformity with this act, and by regulations promulgated by, or under authority of, the

President, a Canal Zone Merit System of selection for appointment, reappointment, reinstatement, reemployment, and retention with respect to positions, employees, and individuals under consideration for appointment to positions.

(b) The Canal Zone Merit System, irrespective of whether the employees or individuals concerned are citizens of the United States or citizens of the Republic of Panama, shall—

(1) be based solely on the merit of the employee or individual and upon his qualifications and fitness to hold the position concerned, and

(2) apply uniformly within and among all departments to positions, employees, and individuals concerned.

(c) The Canal Zone Merit System—

(1) shall conform generally to policies, principles, and standards established by or in accordance with the Civil Service Act of January 16, 1883, as amended and supplemented, and

(2) shall include provision for appropriate interchange of citizens of the United States employed by the Government of the United States between such merit system and the competitive civil service of the Government of the United States.

(d) The Canal Zone Merit System shall be placed in effect on such date as the President shall prescribe but not later than the one hundred and eightieth day following the date of enactment of this act.

SALARY PROTECTION IN CONNECTION WITH CONVERSION OF COMPENSATION BASE

SEC. 11. Whenever the rate of basic compensation of an employee established prior to, on, or after the date of enactment of this act in relation to rates of compensation for the same or similar work in the continental United States is converted on or after the effective date of the initial adjustments under authority of section 5 of this act to a rate of basic compensation established in relation to rates in areas other than the continental United States in the manner provided by section 5 (b) of this act, such employee shall, pending transfer to a position for which the rate of basic compensation is established in relation to rates of compensation in the continental United States in the manner by such section 5 (b), continue to receive a rate of basic compensation not less than the rate of basic compensation to which he was entitled immediately prior to such conversion so long as he remains in the same position or in a position of equal or higher grade.

APPEALS

SEC. 12. (a) There shall be established, in conformity with this act and by regulations promulgated by, or under authority of, the President, a Canal Zone Board of Appeals. It shall be the duty of the Board to review and determine the appeals of employees in accordance with this section.

(b) The regulations referred to in subsection (a) shall provide for, in accordance with this act, the number of members of the Board, the appointment, compensation, of employees of the Board, and such other matters as may be relevant and appropriate.

(c) Any employee may request at any time that the department in which he is employed—

(1) review the classification of his position or the grade or pay level for his position, or both, and

(2) revise or adjust such classification, grade, and pay level, or any of them, as the case may be.

Such request for review and revision or adjustment shall be submitted and adjudicated in accordance with the regularly established appeals procedure of such department.

(d) Each employee shall have the right to appeal to the Board from an adverse determination made under subsection (c) of this section. Such appeal shall be made in writing within a reasonable time, as prescribed in regulations promulgated by, or under authority of, the President, after the date of the transmittal by the department to the employee of written notice of such adverse determination.

(e) The Board, in its discretion, may authorize, in connection with an appeal under subsection (d) of this section, a personal appearance before the Board by such employee, or by his representative designated for such purpose.

(f) After investigation and consideration of the evidence submitted, the Board shall—

(1) prepare a written decision on each such appeal,

(2) transmit its decision to the department concerned, and

(3) transmit copies of such decision to the employee concerned or to his designated representative.

(g) The decision of the Board on any question or other matter relating to any such appeal shall be final and conclusive. It shall be mandatory on the department concerned to take action in accordance with the decision of the Board.

CIVIL SERVICE RETIREMENT COVERAGE

SEC. 13. (a) Effective on and after the first day of the first pay period which begins in the third calendar month following the calendar month in which this act is enacted—

(1) the act of July 8, 1937 (50 Stat. 478; 68 Stat. 17; Public No. 191, 75th Cong.; Public Law 299, 83d Cong.), shall apply only with respect to those individuals within the classes of individuals subject to such act of July 8, 1937, whose employment shall have been terminated, prior to such first day of such first pay period, in the manner provided by the first section of such act; and

(2) the Civil Service Retirement Act (5 U. S. C. 2251–2267) shall apply with respect to those individuals who are in the service of the Canal Zone Government or the Panama Canal Co. and who, except for the operation of paragraph (1) of this subsection, would be within the classes of individuals subject to such act of July 8, 1937.

(b) On or before the first day of the first pay period which begins in the third calendar month following the calendar month in which this Act is enacted, the Panama Canal Co. shall pay, as an agency contribution, into the civil service retirement and disability fund created by the act of May 22, 1920, for each individual—

(1) who is employed, on such first day of such first pay period, by the Canal Zone Government or by the Panama Canal Company, and

(2) who, by reason of the enactment of this section and the operation of the Civil Service Retirement Act (5 U. S. C. 2251–2267), is subject to such act on and after such first day of such first pay period,

for service performed by such individual in the employment of—

(A) the Panama Railroad Company during the period which began on June 29, 1948, and ended on June 30, 1951, or

(B) the Panama Canal (former independent agency), the Canal Zone Government, or the Panama Canal Company during the period which began on July 1, 1951, and which ends immediately prior to such first day of such first pay period,

an amount equal to the aggregate amount which such individual would have been required to contribute for retirement purposes if he had been subject to the Civil Service Retirement Act during such periods of service.

(c) Nothing contained in this section shall affect—

(1) the rights of any individual existing immediately prior to such first day of such first pay period above specified, or

(2) the continuing obligations of the Canal Zone Government and the Panama Canal Company under section 4 (a) of the Civil Service Retirement Act (5 U. S. C. 2254 (a)), to reimburse the civil service retirement and disability fund for Government contributions to such fund covering service performed, on or after such first day of such first pay period above specified, by the employees concerned.

PARTICIPATION IN TRAINNG PROGRAMS

SEC. 14. Any training program established by a department shall be applied uniformly to each employee irrespective of whether such employee is a citizen of the United States or of the Republic of Panama. Each such employee who is a citizen of the Republic of Panama shall be afforded opportunity to participate in such training program on the same basis as that upon which opportunity to participate in such training program is afforded to employees who are citizens of the United States.

ADMINISTRATION

SEC. 15. (a) The President shall coordinate the policies and activities of the respective departments under this act.

(b) The President is authorized to promulgate such regulations as may be necessary and appropriate to carry out the provisions and accomplish the purposes of this act.

(c) The President is authorized to delegate any authority vested in him by this act and to provide for the redelegation of any such authority.

CHANGES IN EXISTING LAW

SEC. 16. (a) Paragraph (21) of section 202 of the Classification Act of 1949, as amended (5 U. S. C. 1082), is amended to read as follows:

"(21) (A) employees of any department who are stationed in the Canal Zone and (B) upon approval by the Civil Service Commission of the request of any department which has employees stationed in both the Republic of Panama and the Canal Zone, employees of such department who are stationed in the Republic of Panama;".

(b) The following provisions of law are hereby repealed:

(1) paragraph (32) of section 202 of the Classification Act of 1949, as amended (5 U. S. C. 1182);

(2) subsection (c) of the first section of the act of October 25, 1951 (65 Stat. 637);

(3) section 804 of the Postal Field Service Compensation Act of 1955 (69 Stat. 130; 39 U. S. C. 1034); and

(4) section 404 of the act of May 27, 1958 (72 Stat. 146; Public Law 85–426).

(c) Subsections (a) and (b) of this section shall become effective on the first day of the first pay period which begins more than 60 days after the date on which regulations are promulgated under section 15 (b) of this act.

APPLICABILITY OF CERTAIN EXISTING LAW

SEC. 17. Nothing contained in this act shall affect the applicability of—

(1) the Veterans' Preference Act of 1944, as amended (5 U. S. C. 851–869),

(2) section 6 of the act of August 24, 1912, as amended (5 U. S. C. 652), and

(3) section 23 of the Independent Offices Appropriation Act, 1935 (48 Stat. 522), as amended (5 U. S. C. 673c), or section 205 of the Federal Employees Pay Act of 1945, as amended (5 U. S. C. 913), to those classes of employees within the scope of such sections 23 and 205 on the date of enactment of this act.

EFFECTIVE DATES

SEC. 18. Except as otherwise provided in sections 4, 5, 7, 10, 13, and 16 of this act, this act shall become effective on the date of its enactment.

And to amend the title so as to read: "An act to implement item 1 of a Memorandum

of Understandings attached to the treaty of January 25, 1955, entered into by the Government of the United States of America and the Government of the Republic of Panama with respect to wage and employment practices of the Government of the United States of America in the Canal Zone."

Mr. JOHNSTON of South Carolina. Mr. President, I move that the Senate disagree to the amendments of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. JOHNSTON of South Carolina, Mr. NEUBERGER, and Mr. CARLSON conferees on the part of the Senate.

WATER SUPPLY ACT OF 1958

Mr. CHAVEZ. Mr. President, I ask that the Chair lay before the Senate the amendment of the House of Representatives to Senate bill 3910.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3910) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes, which was, to strike out all after the enacting clause and insert:

TITLE I—RIVERS AND HARBORS

SEC. 101. That the following works of improvement of rivers and harbors and other waterways for navigation, flood control, and other purposes are hereby adopted and authorized to be prosecuted under the direction of the Secretary of the Army and supervision of the Chief of Engineers, in accordance with the plans and subject to the conditions recommended by the Chief of Engineers in the respective reports hereinafter designated: *Provided*, That the provisions of section 1 of the River and Harbor Act approved March 2, 1945 (Public Law No. 14, 77th Cong., 1st sess.), shall govern with respect to projects authorized in this title; and the procedures therein set forth with respect to plans, proposals, or reports for works of improvement for navigation or flood control and for irrigation and purposes incidental thereto, shall apply as if herein set forth in full:

Navigation

Josias River, Maine: House Document No. 377, 85th Congress, at an estimated cost of $258,400.

Salem Harbor, Mass.: House Document No. 31, 85th Congress, at an estimated cost of $1,100,000;

Boston Harbor, Mass.: House Document No. 349, 84th Congress, at an estimated cost of $720,000;

East Boat Basin, Cape Cod Canal, Mass.: House Document No. 168, 85th Congress, at an estimated cost of $360,000;

Bridgeport Harbor, Conn.: House Document No. 136, 85th Congress, at an estimated cost of $2,300,000.

New York Harbor, N. Y.: Senate Document No. 45, 84th Congress, at an estimated cost of $1,678,000;

Baltimore Harbor and Channels, Md.: House Document No. 86, 85th Congress, at an estimated cost of $28,161,000;

Herring Creek, Md.: House Document No. 159, 84th Congress, at an estimated cost of $110,000;

Betterton Harbor, Md.: House Document No. 333, 84th Congress, at an estimated cost of $78,000;

Delaware River anchorages: House Document No. 185, 85th Congress, at an estimated cost of $24,447,000;

Hull Creek, Va.: House Document No. 287, 85th Congress, at an estimated cost of $269,800;

Morehead City Harbor, N. C.: Senate Document No. 54, 84th Congress, at an estimated cost of $1,197,000;

Intracoastal Waterway, Jacksonville to Miami, Fla.: House Document No. 222, 85th Congress, maintenance;

Port Everglades Harbor, Fla.: House Document No. 346, 85th Congress, at an estimated cost of $6,683,000;

Escambia River, Fla.: House Document No. 75, 85th Congress, at an estimated cost of $61,000;

Gulfport Harbor, Miss.: Senate Document No. 123, 84th Congress, maintenance;

Barataria Bay, La.: House Document No. 82, 85th Congress, at an estimated cost of $1,647,000;

Chefuncte River and Bogue Falia, La.: Senate Document No. 54, 85th Congress, at an estimated cost of $48,000;

Pass Cavallo to Port Lavaca, Tex.: House Document No. 131, 84th Congress, at an estimated cost of $413,000;

Galveston Harbor and Houston Ship Channel, Tex.: House Document No. 350, 85th Congress, at an estimated cost of $17,196,000;

Matagorda Ship Channel, Port Lavaca, Tex.: House Document No. 388, 84th Congress, at an estimated cost of $9,944,000;

Port Aransas-Corpus Christi Waterway, Tex.: House Document No. 361, 85th Congress, at an estimated cost of $6,272,000;

Port Aransas-Corpus Christi Waterway, Tex., La Quinta Channel: Senate Document No. 33, 85th Congress, at an estimated cost of $954,000;

Freeport Harbor, Tex.: House Document No. 433, 84th Congress, at an estimated cost of $317,000;

Mississippi River between Missouri River and Minneapolis, Minn., damage to levee and drainage districts: House Document No. 135, 84th Congress, at an estimated cost of $2,476,000;

Mississippi River at Alton, Ill., commercial harbor: House Document No. 136, 84th Congress. at an estimated cost of $246,000;

Mississippi River at Alton, Ill., small-boat harbor: House Document No. 136, 84th Congress, at an estimated cost of $101,000;

Mississippi River at Clinton, Iowa, Beaver Slough: House Document No. 345, 84th Congress, at an estimated cost of $241,000;

Mississippi River at Clinton, Iowa, report on damages: House Document No. 412, 84th Congress, at an estimated cost of $147,000;

Mississippi River between St. Louis, Mo., and lock and dam No. 26: Senate Document No. 7, 85th Congress, at an estimated cost of $5,802,000;

Mississippi River between the Missouri River and Minneapolis, Minn.: Modification of the existing project in the Mississippi River at St. Anthony Falls, Minneapolis, Minn., House Document No. 33, 85th Congress:

Minnesota River, Minn.: Senate Document No. 144, 84th Congress, at an estimated cost of $2,539,000: *Provided*, That the channel may be extended five-tenths of a mile upstream to mile 14.7 at an estimated additional cost of $5,000;

Vermilion Harbor, Ohio: House Document No. 231, 85th Congress, at an estimated cost of $474,000;

Ohio River at Gallipolis, Ohio: House Document No. 423, 84th Congress, at an estimated cost of $66,000;

Licking River, Ky.: House Document No. 434, 84th Congress, maintenance;

Saxon Harbor, Wis.: House Document No. 169, 85th Congress, at an estimated cost of $393,500;

Two Rivers Harbor, Wis.: House Document No. 362, 84th Congress, at an estimated cost of $66,000;

Port Washington Harbor, Wis.: House Document No. 446, 83d Congress, at an estimated Federal cost of $2,181,000: *Provided*, That local interests shall contribute 30 percent of the total cost of the project;

St. Joseph Harbor, Mich.: Senate Document No. 95, 84th Congress, maintenance;

Old Channel of Rouge River, Mich.: House Document No. 135, 85th Congress, at an estimated cost of $101,500;

Cleveland Harbor, Ohio: House Document No. 107, 85th Congress, at an estimated cost of $14,927,000;

Toledo Harbor, Ohio: House Document No. 436, 84th Congress, at an estimated cost of $859,000;

Irondequoit Bay, N. Y.: House Document No. 332, 84th Congress, at an estimated cost of $1,938,000;

Santa Cruz Harbor, Santa Cruz, Calif.: House Document No. 357, 85th Congress, at an estimated cost of $1,612,000;

Yaquina Bay and Harbor, Oreg.: Senate Document No. 8, 85th Congress, at an estimated cost of $19,800,000;

Siuslaw River, Oreg.: House Document No. 204, 85th Congress, at an estimated cost of $1,693,100;

Port Townsend Harbor, Wash.: House Document No. 418, 84th Congress, at an estimated cost of $387,000;

Bellingham Harbor, Wash.: Senate Document No. 46, 85th Congress, at an estimated cost of $83,700;

Douglas and Juneau Harbors, Alaska: House Document No. 286, 84th Congress, at an estimated cost of $1,394,000;

Dillingham Harbor, Alaska: House Document No. 390, 84th Congress, at an estimated cost of $372,000;

Naknek River, Alaska: House Document No. 390, 84th Congress, at an estimated cost of $19,000;

Cook Inlet, navigation improvements, Alaska: House Document No. 34, 85th Congress, at an estimated cost of $5,199,200;

San Juan Harbor, P. R.: House Document No. 38, 85th Congress, at an estimated cost of $6,476,800;

Beach erosion

State of Connecticut, area 9, East River to New Haven Harbor: House Document No. 395, 84th Congress, at an estimated cost of $12,000;

Connecticut shoreline, areas 8 and 11, Saugatuck River to Byram River: House Document No. 174, 85th Congress, at an estimated cost of $229,000;

Fire Island Inlet, Long Island, N. Y.: House Document No. 411, 84th Congress, at an estimated cost of $2,724,000;

Atlantic coast of New Jersey, Sandy Hook to Barnegat Inlet: House Document No. 332, 85th Congress, at an estimated cost of $6,755,000;

Delaware coast from Kitts Hummock to Fenwick Island, Del.: House Document No. 216, 85th Congress, at an estimated cost of $28,000;

Palm Beach County, from Lake Worth Inlet to South Lake Worth Inlet, Fla.: House Document No. 342, 85th Congress, at an estimated cost of $222,500;

Berrien County, Mich.: House Document No. 336, 85th Congress, at an estimated cost of $226,000;

Manitowoc County, Wis.: House Document No. 348, 84th Congress, at an estimated cost of $50,000;

Fair Haven Beach State Park, N. Y.: House Document No. 134, 84th Congress, at an estimated cost of $114,000;

Hamlin Beach State Park, N. Y.: House Document No. 138, 84th Congress, at an estimated cost of $404,000;

Humboldt Bay, Calif.: House Document No. 282, 85th Congress, at an estimated cost of $38,200;

Santa Cruz County, Calif.: House Document No. 179, 85th Congress, at an estimated cost of $516,000;

San Diego County, Calif.: House Document No. 399, 84th Congress, at an estimated cost of $289,000;

Waimea Beach and Hanapepe Bay, island of Kauai, T. H., House Document No. 432, 84th Congress, at an estimated cost of $20,000;

SEC. 102. That the Secretary of the Army is hereby authorized to reimburse local interests for such work done by them, on the beach-erosion projects authorized in section 101, subsequent to the initiation of the cooperative studies which form the basis for the projects: *Provided*, That the work which may have been done on these projects is approved by the Chief of Engineers as being in accordance with the projects hereby adopted: *Provided further*, That such reimbursement shall be subject to appropriations applicable thereto or funds available therefor and shall not take precedence over other pending projects of higher priority for improvements.

SEC. 103. That pending fulfillment of the conditions of local cooperation for the Gulf Intracoastal Waterway, Algiers Canal, as authorized by the Rivers and Harbors Act of March 2, 1945, appropriations heretofore or hereafter made for maintenance of rivers and harbors may be used for operation and maintenance of the railroad bridge over Algiers Canal for the period from September 1, 1956, to December 31, 1958.

SEC. 104. That there is hereby authorized a comprehensive project to provide for control and progressive eradication of the water-hyacinth, alligator weed, and other obnoxious aquatic plant growths from the navigable waters, tributary streams, connecting channels, and other allied waters in the States of North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Texas, in the combined interest of navigation, flood control, drainage, agriculture, fish and wildlife conservation, public health, and related purposes, including continued research for development of the most effective and economic control measures, at an estimated additional cost for the expanded program over that now underway of $1,350,000 annually for 5 years, of which 70 percent, presently estimated at $945,000, shall be borne by the United States and 30 percent, presently estimated at $405,000, by local interests, to be administered by the Chief of Engineers, under the direction of the Secretary of the Army in cooperation with other Federal and State agencies in accordance with the report of the Chief of Engineers, published as House Document No. 37, 85th Congress: *Provided*, That local interests agree to hold and save the United States free from claims that may occur from such operations and participate to the extent of 30 percent of the cost of the additional program: *Provided further*, That Federal funds appropriated for this project shall be allocated by the Chief of Engineers on a priority basis, based upon the urgency and need of each area, and the availability of local funds.

SEC. 105. That for preliminary examinations and surveys authorized in previous river and harbor and flood-control acts, the Secretary of the Army is hereby directed to cause investigations and reports for navigation and allied purposes to be prepared under the supervision of the Chief of Engineers in the form of survey reports, and that preliminary examination reports shall no longer be required to be prepared.

SEC. 106. That the improvement of Apalachicola Bay, Fla., authorized by the River and Harbor Act of 1954 in accordance with the recommendation of the Chief of Engineers in House Document No. 156, 82d Congress; and the improvement of Apalachicola Bay, Fla., channel across St. George Island, authorized by the River and Harbor Act of 1954, in accordance with the recommendations of the Chief of Engineers in House Document No. 557, 82d Congress, are hereby modified to provide that the Secretary of the Army shall reimburse local interests for such work as they may have done upon the projects insofar as this work shall be approved by the Chief of Engineers and found to have been done in accordance with the projects adopted by the act of 1954: *Provided*, That reimbursement shall be based upon the reduction in the amount of material which will have to be removed to provide project dimensions at such time as Federal dredging of the channels is undertaken: *Provided further*, That such reimbursement shall be subject to appropriations applicable thereto and shall not take precedence over authorized Federal improvements of higher priority.

SEC. 107. That the improvement of Pascagoula Harbor, Dog River Cutoff, Miss., authorized by the River and Harbor Act of 1950, in accordance with the recommendations of the Chief of Engineers in House Document No. 188, 81st Congress, is hereby modified to provide that the Secretary of the Army shall reimburse local interests for such work as they may have done on this project, within the limits of the Federal portion of the project, over and above any items required as a part of the local cooperation for the project, insofar as the same shall be approved by the Chief of Engineers and found to have been done in accordance with project modification adopted in said act: *Provided*, That such payment shall not exceed the sum of $44,000: *Provided further*, That such reimbursement shall be subject to appropriations therefor and shall not have precedence over authorized Federal improvements of higher priority: *And provided further*, That no reimbursement to local interests shall be made until they have met all the requirements of local cooperation in the recommendations of the Chief of Engineers in House Document No. 188, 81st Congress.

SEC. 108. That the Federal project structures, appurtenances, and real property of the Upper Fox River, Wis., shall be disposed of in accordance with the provisions of this section: *Provided*, That all or any part of the right, title, and interest of the United States to any portion of the said property may, regardless of any other provision of law, be reconveyed, upon such terms and conditions as may be advisable: *Provided further*, That, if the State of Wisconsin offers to take over said property under the terms and conditions hereinafter prescribed, the Secretary of the Army is hereby authorized to convey by quitclaim deed to said State, without monetary consideration, all such right, title, and interest of the United States in said property, and the United States shall thereafter have no further obligations with respect to the property so conveyed. In consideration of the State accepting such conveyance, and assuming responsibility for said property, there is hereby authorized to be expended from appropriations hereafter made for civil functions administered by the Department of the Army toward the work of placing the project facilities in a condition suitable for public purposes, not to exceed $300,000. The Chief of Engineers is authorized to enter into agreements with the duly authorized representatives of the States with respect to the details of the work to be performed and transfer of the property. If the State fails to present a satisfactory offer within 2 years after the date of enactment of this act, said property may be disposed of pursuant to the the provisions of existing law and upon such terms and conditions as may be determined to be in the public interest: *And provided further*, That, after acceptance of said property by the State of Wisconsin, the Federal laws, other than the Federal Power Act, governing the protection and preservation of navigable waters shall not apply to the reach of the Upper Fox River, Wis., above its juncture with the mouth of the Wolf River.

SEC. 109. The projects for the Illinois Waterway and Grand Calumet River, Ill. and Ind. (Calumet-Sag navigation project), authorized by the River and Harbor Act of July 24, 1946, is hereby modified in accordance with the recommendations in House Document No. 45, 85th Congress, insofar as they apply to existing highway bridges in part I, Sag Junction to Lake Calumet, at an estimated additional cost of $9,884,000.

SEC. 110. (a) The Secretary of the Army hereby is authorized to acquire on behalf of the United States the fee simple title in and to the lands in the lake (known as Sinnissippi Lake) created by the Government dam constructed across Rock River between Sterling and Rock Falls, Ill., and over which the United States now holds flowage rights or easement, and in and to all other lands upon which the United States has rights or easements used for the purpose of and appurtenant to the operation of the Federal project known as the Illinois and Mississippi Canal (which lake, canal, feeder, and appurtenances thereto are referred to collectively in this section as the canal) in the State of Illinois; said fee simple title to be acquired subject to the continuing right of access to Sinnissippi Lake by the riparian owners whose land adjoins and abuts said lake. Such acquisition may be accomplished by purchase, acceptance of donation, exchange, exercise of the power of eminent domain, or otherwise.

(b) The Secretary of the Army further is authorized out of appropriations hereafter made for civil functions administered by the Department of the Army, to cause the canal to be repaired and modified for the purpose of placing the same in proper condition for public recreational use other than through-navigation, including (but not limited to) the repair or reconstruction of the aforesaid Government dam across Rock River; the repair or reconstruction of retaining walls, embankments, and fixed portions of the lock and dam structures, on both the feeder and the main portions of the canal; the removal of presently existing lock gates and the construction of fixed dams in lieu thereof; the repair of culverts, drainage ditches, fences, and other structures and improvements, except bridges and roads, which the United States has maintained or has been obligated to maintain; the replacement of aqueducts with inverted siphons or flumes; such other repair, renovation, or reconstruction work as the Chief of Engineers may deem necessary or advisable to prepare the canal for public recreational use other than through-navigation; and the sale or other disposition of equipment, buildings, and other structures, which are designated by the State of Illinois as not suitable or needed for such use. The work of repair and modification shall be performed by the Corps of Engineers, and upon completion thereof the Chief of Engineers shall certify such completion to the Secretary of the Army The work of repair and modification authorized in this subsection, as well as the land acquisition authorized in the preceding subsection, shall not be commenced prior to the approval by the Chief of Engineers and the responsible State representative of the agreement authorized in subsection (e) which shall include assurance from the State of Illinois that it will accept the conveyance of all right, title, and interest of the United States in and to the canal. Upon such conveyance the United States shall have no further obligation with respect to the canal.

(c) Upon the request of the State of Illinois and of any corporation owning a railroad which crosses a bridge over the canal, the Secretary of the Army is authorized to convey to said corporation, at any time before the conveyance of the canal to the State of Illinois as provided in subsection (d) of this section, all right, title, and interest of the United States in and to such bridge, and

the delivery of any such bridge conveyance shall operate as a complete release and discharge of the United States from all further obligation with respect to such bridge. If the request also provides for the replacement of such bridge with a land fill, the Secretary of the Army further is authorized to permit the said corporation to make such replacement, but shall require adequate provision for culverts and other structures allowing passage of the waters of the canal and necessary drainage, and for right-of-way for necessary and appropriate road crossings.

(d) The Secretary of the Army further is authorized and directed, upon execution of the foregoing provisions of this section, to convey and transfer to the State of Illinois, by quitclaim deed and such other instruments as the Secretary may deem appropriate, without further consideration, the property of the canal; and to execute such other documents and to perform such other acts as shall be necessary and appropriate to complete the transfer to the said State of all right, title, and interest of the United States in and to the canal. Upon and after the delivery of such deed, the State of Illinois is authorized, at all times, to use such quantity of water drawn from Rock River at Sinnissippi Lake, as is adequate and appropriate to operate the canal for public recreational use other than through-navigation.

(e) In the execution of the provisions of this section, the Chief of Engineers is authorized to enter into agreements with the duly authorized representatives of the State of Illinois with respect to the details of repair and modification of the canal and the transfer thereof to the State.

(f) There is hereby authorized to be appropriated the sum of $2 million to carry out the provisions of this section.

SEC. 111. Whenever, during the construction or reconstruction of any navigation, flood control, or related water development project under the direction of the Secretary of the Army, the Chief of Engineers determines that any structure or facility owned by an agency of government and utilized in the performance of a governmental function should be protected, altered, reconstructed, relocated, or replaced to meet the requirements of navigation or flood control, or both; or to preserve the safety or integrity of such facility when its safety or usefulness is determined by the Chief of Engineers to be adversely affected or threatened by the project, the Chief of Engineers may, if he deems such action to be in the public interest, enter into a contract providing for the payment from appropriations made for the construction or maintenance of such project, of the reasonable actual cost of such remedial work, or for the payment of a lump sum representing the estimated reasonable cost: *Provided*, That this section shall not be construed as modifying any existing or future requirement of local cooperation, or as indicating a policy that local interests shall not hereafter be required to assume costs of modifying such facilities. The provisions of this section may be applied to projects hereafter authorized and to those heretofore authorized but not completed as of the date of this act, and notwithstanding the navigation servitude vested in the United States, they may be applied to such structures or facilities occuping the beds of navigable waters of the United States.

SEC. 112. The Secretary of the Army is hereby authorized and directed to cause surveys to be made at the following named localities and subject to all applicable provisions of section 110 of the River and Harbor Act of 1950:

Stave Island Harbor at South Goldsboro, Maine.

Tashmoo Pond, Martha's Vineyard, Mass.

Sachem's Head Harbor at Guilford, Conn.

Poquonock River at Groton, Conn.

Water route from Albany, N. Y., into Lake Champlain, N. Y. and Vt., including the advisability of modifying existing Federal and State improvements, with due consideration of ultimate connection with the St. Lawrence River in Canada.

Hammonds Cove entrance to Locust Point Harbor, Long Island Sound, N. Y.

Indian River Bay to Assawoman Canal known as White's Creek, and up White's Creek, Del.

Indian River Bay via Pepper's Creek to Dagsboro, Del.

Chesapeake Bay and tributaries, Maryland, Delaware, and Virginia, with a view to elimination of the water chestnut (*Trapa natans*).

Area from Cuckold Creek through Neale Creek and Neale Sound to the Wicomico River, Charles County, Md., to determine the feasibility of providing a safe and continuous inland channel for the navigation of small boats.

Currioman Bay, Va.

Tabbs Creek, Lancaster County, Va.

Wrights Creek, N. C.

Savannah River, with a view to providing 9-foot navigation to Augusta, Ga.

Little Gasparilla Pass, Charlotte County, Fla.

Frenchman Creek, Fla.

Streams and harbor facilities and needs therefor at and in the vicinity of Bayport, Fla., in the interest of present and prospective commerce and other purposes, with the view of improving the harbor facilities of Bayport as a port for commerce and for refuge on the Gulf of Mexico.

Channel from Lynn Haven Bayou, Fla., into North Bay, Fla.

Small-boat channel from the port of Panacea, Fla., into Apalachee Bay, Fla.

Dredged channel, vicinity of Sunshine Skyway, Tampa Bay, Fla.

Tampa Bay, Fla., with a view to determining the feasibility of a fresh water lake at that location.

Apalachicola River Chipola Cutoff, Fla., via Wewahitchka, with a view to providing a channel 9 feet deep and 100 feet wide.

Apalachicola River, Fla., in the vicinity of Bristol and in the vicinity of Blountstown.

Streams at and in the vicinity of Gulfport, Fla.

Trinity River, Tex.

Missouri River, with a view to extending 9-foot navigation from Sioux City, Iowa, to Gavins Point Dam, S. Dak.-Nebr.

Channel from Port Inland, Mich., to deep water in Lake Michigan.

Connecting channel between Namakan Lake and Ash River, Minn.

Camp Pendleton Harbor and Oceanside, Calif., with a view to determining the extent of Federal aid which should be granted toward recommended beach erosion control measures at Oceanside, Calif., in equity without regard to limitations of Federal law applicable to beach erosion control.

Anaheim Bay, Calif., with a view to determining the extent of Federal aid which should be granted in equity without regard to limitations of Federal law applicable to beach erosion control.

SEC. 113. Title I may be cited as the "River and Harbor Act of 1958."

TITLE II—FLOOD CONTROL

SEC. 201. That section 3 of the act approved June 22, 1936 (Public Law No. 738, 74th Cong.), as amended by section 2 of the act approved June 28, 1938 (Public Law No. 761, 75th Cong.), shall apply to all works authorized in this title except that for any channel improvement or channel rectification project, provisions (a), (b), and (c) of section 3 of said act of June 22, 1936, shall apply thereto, and except as otherwise provided by law: *Provided*, That the authorization for any flood-control project herein adopted requiring local cooperation shall expire 5 years from the date on which local interests are notified in writing by the Department of the Army of the requirements of local cooperation, unless said interests shall within said time furnish assurances satisfactory to the Secretary of the Army that the required cooperation will be furnished.

SEC. 202. The provisions of section 1 of the act of December 22, 1944 (Public Law No. 534, 78th Cong., 2d sess.), shall govern with respect to projects authorized in this act, and the procedures therein set forth with respect to plans, proposals, or reports for works of improvement for navigation or flood control and for irrigation and purposes incidental thereto shall apply as if herein set forth in full.

SEC. 203. The following works of improvement for the benefit of navigation and the control of destructive floodwaters and other purposes are hereby adopted and authorized to be prosecuted under the direction of the Secretary of the Army and the supervision of the Chief of Engineers in accordance with the plans in the respective reports hereinafter designated and subject to the conditions set forth therein: *Provided*, That the necessary plans, specifications, and preliminary work may be prosecuted on any project authorized in this title with funds from appropriations heretofore or hereafter made for flood control so as to be ready for rapid inauguration of a construction program: *Provided further*, That the projects authorized herein shall be initiated as expeditiously and prosecuted as vigorously as may be consistent with budgetary requirements: *And provided further*, That penstocks and other similar facilities adapted to possible future use in the development of hydroelectric power shall be installed in any dam authorized in this act for construction by the Department of the Army when approved by the Secretary of the Army on the recommendation of the Chief of Engineers and the Federal Power Commission.

New Bedford, Fairhaven, and Acushnet, Mass.

The project for hurricane-flood protection at New Bedford, Fairhaven, and Acushnet, Mass., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 59, 85th Congress, at an estimated Federal cost of $10,480,000 and at an estimated Federal cost of maintenance and operation of $55,000 annually: *Provided*, That in lieu of the local cooperation recommended in the report of the Chief of Engineers in Senate Document No. 59, 85th Congress, local interests (a) contribute 30 percent of the first cost of the project, said 30 percent being presently estimated at $5,160,000, including the value of lands, easements, and rights-of-way; (b) contribute the capitalized value of annual maintenance and operation for the main harbor barrier presently estimated at $1,560,000; (c) hold and save the United States free from damages due to the construction works; and (d) maintain and operate all the works except the main harbor barrier after completion in accordance with regulations prescribed by the Secretary of the Army.

Narragansett Bay area, Rhode Island and Massachusetts

The project for hurricane-flood protection in the Narragansett Bay area, Rhode Island and Massachusetts, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 230, 85th Congress, at an estimated Federal cost of $11,550,000: *Provided*, That in lieu of the local cooperation recommended in the report of the Chief of Engineers in House Document No. 230, 85th Congress, local interests (a) contribute 30 percent of the first cost of the project, said 30 percent being presently estimated at

$4,950,000, including the value of lands, easements, and rights-of-way; (b) hold and save the United States free from damages due to the construction works; and (c) maintain and operate the improvements after completion in accordance with regulations prescribed by the Secretary of the Army.

Connecticut River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $24 million for the prosecution of the comprehensive plan for the Connecticut River Basin, approved in the act of June 28, 1938, as amended and supplemented by subsequent acts of Congress, and such comprehensive plan is hereby modified to include the construction of the Littleville Reservoir on the Middle Branch of Westfield River, Mass., substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 17, 85th Congress, at an estimated cost of $5,090,000.

The project for the Mad River Dam and Reservoir on the Mad River above Winsted, Conn., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 137, 85th Congress, at an estimated cost of $5,430,000.

Housatonic River Basin

The project for the flood-control dam and reservoir on Hall Meadow Brook in Torrington and Goshen, Conn., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 81, 85th Congress, at an estimated cost of $1,960,000.

The project for the flood-control dam and reservoir on the East Branch of the Naugatuck River in Torrington, Conn., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 81, 85th Congress, at an estimated cost of $1,780,000.

Susquehanna River Basin

The project for flood protection on the North Branch of the Susquehanna River, N. Y. and Pa., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 394, 84th Congress, and there is hereby authorized to be appropriated the sum of $30 million for partial accomplishment of that plan.

Hudson River Basin

The project for flood protection on the Mohawk River, N. Y., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 172, 85th Congress, at an estimated cost of $2,069,000.

Pantego and Cucklers Creek, N. C.

The project for flood protection on Pantego and Cucklers Creek, N. C., is hereby authorized substantially in accordance with recommendations of the Chief of Engineers in House Document No. 398, 84th Congress, at an estimated cost of $413,000.

Savannah River Basin

In addition to previous authorizations, there is hereby authorized the completion of Hartwell Reservoir, approved in the Flood Control Acts of December 22, 1944, and May 17, 1950, in accordance with the report of the Chief of Engineers contained in House Document No. 657, 78th Congress, at an estimated cost of $44,300,000.

Central and southern Florida

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $40 million for the prosecution of the comprehensive plan for flood control and other purposes in central and southern Florida approved in the act of June 30, 1948, and subsequent acts of Congress, and such comprehensive plan is hereby modified as recommended by the Chief of Engineers in House Document No. 186, 85th Congress, and is further modified to include the following:

The project for canals, levees, water control structures on the west side of the Everglades agricultural and conservation areas in Hendry County, Fla., substantially in accordance with the recommendations of the Chief of Engineers contained in Senate Document No. 48, 85th Congress, at an estimated cost of $3,172,000: *Provided*, That cost sharing for the works herein authorized shall be on the same basis as that prescribed for works authorized in the Flood Control Act of 1954.

Mobile River Basin

(Tombigbee, Warrior, and Alabama-Coosa)

The project for flood control and related purposes on the Tombigbee River and tributaries, Mississippi and Alabama, is hereby authorized substantially in accordance with recommendations of the Chief of Engineers in his report published as House Document No. 167, 84th Congress, at an estimated cost of $19,311,000: *Provided*, That in lieu of the cash contribution contained in item (f) of the recommendations of the Chief of Engineers, local interests contribute in cash or equivalent work, the sum of $1,473,000 in addition to other items of local cooperation.

The project for flood protection on the Alabama River at Montgomery, Ala., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 83, 85th Congress, at an estimated cost of $1,300,000.

Lower Mississippi River

The project for flood control and improvement of the lower Mississippi River adopted by the act approved May 15, 1928, as amended by subsequent acts, is hereby modified and expanded to include the following items and the authorization for said project is increased accordingly:

(a) Modification of the White River backwater project, Arkansas, substantially in accordance with the recommendation of the Chief of Engineers in Senate Document No. 26, 85th Congress, at an estimated cost, over that now authorized, of $2,380,000 for construction and $57,000 annually for maintenance: *Provided*, That the Secretary of the Interior shall grant to the White River Drainage District of Phillips and Desha Counties, Ark., such permits, rights-of-way, and easements over lands of the United States in the White River Migratory Refuge, as the Chief of Engineers may determine to be required for the construction, operation, and maintenance of this project.

(b) Modification and extension of plan of improvement in the Boeuf and Tensas Rivers and Bayou Macon Basin, Ark., substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 108, 85th Congress, at an estimated cost of $1,212,000.

(c) In addition to the previous authorization, the sum of $28,200,000 for prosecution of the plan of improvement for the control of Old and Atchafalaya Rivers and a navigation lock approved in the act of September 3, 1954.

(d) In addition to previous authorizations, the sum of $35,674,000 for prosecution of the plan of improvement in the St. Francis River Basin approved in the act of May 17, 1950.

(e) The project for flood protection on Wolf River and tributaries, Tennessee, substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 76, 85th Congress, at an estimated cost of $1,932,000.

(f) The project for Greenville Harbor, Miss., substantially in accordance with the recommendations of the Mississippi River Commission, dated April 26, 1957, at an estimated cost of $2,530,000.

The project for flood protection and related purposes on Bayou Chevreuil, La., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 347, 84th Congress, at an estimated cost of $547,000: *Provided*, That work already performed by local interests on this project, in accordance with the recommended plan as determined by the Chief of Engineers, may be credited to the cash contribution required of local interests.

Trinity River Basin, Tex.

Notwithstanding clause (b) of paragraph 5 of the report of the Chief of Engineers dated May 28, 1954, with respect to the project for the Navarro Mills Reservoir on Richland Creek, Tex., authorized by section 203 of the Flood Control Act of 1954, local interests shall be required to pay $30,000 as the total cost of the project attributable to increase in net returns from higher utilization of the downstream valley lands.

Red-Ouachita River Basin

The general plan for flood control on Red River, Tex., Okla., Ark., and La., below Denison Dam, Tex. and Okla., as authorized by the Flood Control Act of 1946, is modified and expanded, at an estimated cost in addition to that now authorized of $53,235,000, substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 170, 85th Congress, on Millwood Reservoir and alternate reservoirs, Little River, Okla. and Ark., except as follows:

(1) All flood-control and land-enhancement benefits shall be nonreimbursable.

(2) Penstocks or other facilities, to provide for future power installations, shall be provided in the reservoirs to be constructed above the Millwood Reservoir.

Gulf of Mexico

The project for hurricane-flood protection on Galveston Bay, Tex., at and in the vicinity of Texas City, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 347, 85th Congress, at an estimated Federal cost of $5,662,000: *Provided*, That in lieu of the local cooperation recommended in the report of the Chief of Engineers in House Document No. 347, 85th Congress, local interests (a) contribute 30 percent of the first cost of the project, said 30 percent being presently estimated at $2,427,000, including the cost of lands, easements, and rights-of-way; (b) contribute, at their option, the additional cost of providing ramps in lieu of closure structures presently estimated at $200,000; (c) hold and save the United States free from damages due to the construction works; and (d) maintain and operate all the works after completion.

Arkansas River Basin

The project for the Trinidad Dam on Purgatoire River, Colo., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 325, 84th Congress, at an estimated cost of $16,628,000.

The first section of the act entitled "An act to provide for the construction of the Markham Ferry project on the Grand River in Oklahoma by the Grand River Dam Authority, an instrumentality of the State of Oklahoma," approved July 6, 1954 (68 Stat. 450), is amended by inserting after "as recommended by the Chief of Engineers," the following: "or such additional flood storage or pool elevations, or both, as may be approved by the Chief of Engineers."

White River Basin

In addition to previous authorizations, there is hereby authorized the sum of $57

million for the prosecution of the comprehensive plan for the White River Basin, approved in the act of June 28, 1938, as amended and supplemented by subsequent acts of Congress, and such comprehensive plan is hereby modified to provide that penstocks or other facilities, to provide for future power installations, shall be provided in the Lone Rock Reservoir.

Pecos River Basin

The project for flood protection on the Pecos River at Carlsbad, N. Mex., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 224, 85th Congress, at an estimated Federal cost of $1,791,200.

Rio Grande Basin

The project for flood protection on the Rio Grande at Socorro, N. Mex., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 58, 85th Congress, at an estimated Federal cost of $3,102,700.

Upper Mississippi River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $21 million for the prosecution of the comprehensive plan for the Upper Mississippi River Basin, approved in the act of June 28, 1938, as amended and supplemented by subsequent acts of Congress.

The project for flood protection on the Rock and Green Rivers, Ill., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 173, 85th Congress, at an estimated cost of $6,996,000.

The project for flood protection on Eau Galle River at Spring Valley, Wis., is hereby authorized substantially in accordance with recommendations of the Chief of Engineers in Senate Document No. 52, 84th Congress, at an estimated cost of $6,690,000.

The project for flood protection on the Mississippi River at Winona, Minn., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 324, 85th Congress, at an estimated cost of $1,620,000.

The projects for flood protection on the Mississippi River at St. Paul and South St. Paul, Minn., are hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 223, 85th Congress, at an estimated cost of $5,705,500.

The project for flood protection on the Minnesota River at Mankato and North Mankato, Minn., is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 437, 84th Congress, at an estimated cost of $1,870,000.

The project for the Saylorville Reservoir on the Des Moines River, Iowa, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 9, 85th Congress, at an estimated cost of $44,500,000: *Provided*, That if the reservoir is used for water conservation, such use shall be in accord with title II of this act.

The project for the Kaskaskia River, Ill., is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 232, 85th Congress, at an estimated cost of $23 million.

The project for flood protection on the Root River at Rushford, Minn., is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 431, 84th Congress, at an estimated cost of $796,000.

Great Lakes Basin

The project for flood protection on the Bad River at Mellen and Odanah, Wis., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 165, 84th Congress, at an estimated cost of $917,000.

The project for flood protection on the Kalamazoo River at Kalamazoo, Mich., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 53, 84th Congress, at an estimated cost of $5,358,000.

The project for flood protection on the Grand River, Mich., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 132, 84th Congress, at an estimated cost of $9,825,000.

The project for flood protection on the Saginaw River, Mich., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 346, 84th Congress, at an estimated cost of $16,085,000.

The project for flood protection on Owasco Outlet, tributary of Oswego River, at Auburn, N. Y., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 133, 84th Congress, at an estimated cost of $305,000.

Missouri River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $200 million for the prosecution of the comprehensive plan for the Missouri River Basin, approved in the act of June 28, 1938, as amended and supplemented by subsequent acts of Congress: *Provided*, That with respect to any power attributable to any dam in such plan to be constructed by the Corps of Engineers, the construction of which has not been started, a reasonable amount of such power as may be determined by the Secretary of the Interior, or such portions thereof as may be required from time to time to meet loads under contract made within this reservation, shall be made available for use in the State where such dam is constructed: *Provided*, That the distribution of such power shall not be inconsistent with the provisions of section 5 of the Flood Control Act of 1944.

The Secretary of the Army, acting through the Corps of Engineers, is authorized and directed to undertake the construction and to provide suitable sewer facilities, conforming to applicable standards of the South Dakota Department of Health, to replace certain existing water or sewer facilities of (1) the St. Joseph's Indian School, Chamberlain, S. Dak., by facilities to provide for treatment of sewage or connection to the city system not exceeding $42,000 in cost; (2) Fort Pierre, S. Dak., sewer facilities not exceeding $120,000, and water facilities not exceeding $25,000; and (3) the city of Pierre, S. Dak., sewer facilities not exceeding $210,000; and the Secretary of the Army, acting through the Corps of Engineers, is further authorized and directed to pay to the Chamberlain Water Co., Chamberlain, S. Dak., as reimbursement for removal expenses, not to exceed $5,000, under the provisions of Public Law 534, 82d Congress: *Provided*, That the Secretary of the Army is authorized to provide the sums necessary to carry out the provisions of this paragraph out of any sums appropriated for the construction of the Oahe and Fort Randall Dam and Reservoir projects, Missouri River.

The project for flood protection on the Sun River at Great Falls, Mont., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 343, 85th Congress, at an estimated cost of $1,405,000.

The project for flood protection on the Cannonball River at Mott, N. Dak., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 35, 85th Congress, at an estimated cost of $434,000.

The project for flood protection on the Floyd River, Iowa, is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 417, 84th Congress, at an estimated cost of $8,060,000.

The project for flood protection on the Black Vermillion River at Frankfort, Kans., is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 409, 84th Congress, at an estimated cost of $850,000.

The project for flood protection in the Gering and Mitchell Valleys, Nebr., is hereby authorized substantially as recommended by the Chief of Engineers in Senate Document No. 139, 84th Congress, at an estimated cost of $1,214,000.

The project for flood control on Salt Creek and tributaries, Nebraska, is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 396, 84th Congress, at an estimated cost of $13,314,000.

The project for flood protection on Shell Creek, Nebr., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 187, 85th Congress, at an estimated cost of $2,025,000.

Red River of the North Basin

The project for flood protection on Ruffy Brook and Lost River, Minn., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 141, 84th Congress, at an estimated cost of $632,000.

Ohio River Basin

The project for the Saline River and tributaries, Illinois, is hereby substantially in accordance with the recommendations of the Chief of Engineers in his report published as House Document No. 316, 84th Congress, at an estimated cost of $5,917,000: *Provided*, That in lieu of the cash contribution recommended by the Chief of Engineers, local interests contribute in cash the sum of $286,000, in addition to other items of local cooperation.

The project for the Upper Wabash River and tributaries, Indiana, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 435, 84th Congress, at an estimated cost of $45,500,000.

The project for flood protection on Brush Creek at Princeton, W. Va., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 122, 84th Congress, at an estimated cost of $917,000.

The project for flood protection on Meadow River at East Rainelle, W. Va., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 137, 84th Congress, at an estimated cost of $708,000.

The project for flood protection on the Tug Fork of Big Sandy River at Williamson, W. Va., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 105, 85th Congress, at an estimated cost of $625,000.

The project for flood protection on Lake Chautauqua and Chadakoin River at Jamestown, N. Y., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 103, 84th Congress, at an estimated cost of $4,796,000.

The project for flood protection on the West Branch of the Mahoning River, Ohio, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 191, 85th Congress, at an estimated cost of $12,585,000.

The project for flood protection on Chartiers Creek, at and in the vicinity of Washington, Pa., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 286, 85th Congress, at an estimated cost of $1,286,000.

The project for flood protection on Sandy Lick Creek at Brookville, Pa., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 166, 85th Congress, at an estimated cost of $1,188,000.

The project for flood control, and other purposes, in the Turtle Creek Basin, Pa., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 390, 85th Congress, at an estimated cost of $13,417,000.

The general comprehensive plan for flood control and other purposes in the Ohio River Basin is modified to provide for a reservoir at the Monroe Reservoir site, mile 25.6, on Salt Creek, White River Basin, Indiana, in accordance with the recommendations of the Chief of Engineers in House Document No. 192, 85th Congress, at an estimated cost of $4,359,000.

Sacramento River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $17 million for the prosecution of the comprehensive plan approved in the act of December 22, 1944, as amended and supplemented by subsequent acts of Congress.

The project for flood protection on the Sacramento River from Chico Landing to Red Bluff, Calif., is hereby authorized, substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 272, 84th Congress, at an estimated cost of $1,560,000.

Eel River Basin

The project for flood protection on the Eel River in the Sandy Prairie region, Calif., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers, in House Document No. 80, 85th Congress, at an estimated cost of $707,000.

Weber River Basin, Utah

The project for flood protection on the Weber River and tributaries, Utah, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 158, 84th Congress, at an estimated cost of $520,000.

San Joaquin River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $13 million for the prosecution of the comprehensive plan approved in the act of December 22, 1944, as amended and supplemented by subsequent acts of Congress.

Kaweah and Tule River Basins

In addition to previous authorizations, the completion of the comprehensive plan approved in the act of December 22, 1944, as amended and supplemented by subsequent acts of Congress, is hereby authorized at an estimated cost of $28 million.

Los Angeles River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $44 million for the prosecution of the comprehensive plan approved in the act of August 18, 1941, as amended and supplemented by subsequent acts of Congress.

Santa Ana River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $8 million for the prosecution of the comprehensive plan approved in the act of June 22, 1936, as amended and supplemented by subsequent acts of Congress.

San Dieguito River Basin

The project for the San Dieguito River, Calif., is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 288, 85th Congress, at an estimated cost of $1,961,000.

Columbia River Basin

In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $112 million for the prosecution of the projects and plans for the Columbia River Basin, including the Willamette River Basin, authorized by the Flood Control Act of June 28, 1938, and subsequent acts of Congress, including the Flood Control Acts of May 17, 1950, and September 3, 1954.

In carrying out the review of House Document No. 531, 81st Congress, second session, and other reports on the Columbia River and its tributaries, pursuant to the resolution of the Committee on Public Works of the United States Senate dated July 28, 1955, the Chief of Engineers shall be guided by flood control goals not less than those contained in said House Document No. 531.

The preparation of detailed plans for the Bruces Eddy Dam and Reservoir on the North Fork of the Clearwater River, Idaho, substantially in accordance with the recommendations of the Chief of Engineers in Senate Document No. 51, 84th Congress, is hereby authorized at an estimated cost of $1,200,000.

Sammamish River Basin

The project for flood protection and related purposes on the Sammamish River, Wash., is hereby authorized substantially as recommended by the Chief of Engineers in House Document No. 157, 84th Congress, at an estimated cost of $825,000.

Territory of Alaska

The project for flood protection on Chena River at Fairbanks, Alaska, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 137, 84th Congress, at an estimated cost of $9,727,000.

The project for flood protection at Cook Inlet, Alaska (Talkeetna), is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document No. 34, 85th Congress, at an estimated cost of $64,900.

SEC. 204. That, in recognition of the flood-control accomplishments of the multiple-purpose Oroville Dam and Reservoir, proposed to be constructed on the Feather River by the State of California, there is hereby authorized to be appropriated a monetary contribution toward the construction cost of such dam and reservoir and the amount of such contribution shall be determined by the Secretary of the Army in cooperation with the State of California, subject to a finding by the Secretary of the Army, approved by the President, of economic justification for allocation of the amount of flood control, such funds to be administered by the Secretary of the Army: *Provided*, That prior to making the monetary contribution or any part thereof, the Department of the Army and the State of California shall have entered into an agreement providing for operation of the Oroville Dam in such manner as will produce the flood-control benefits upon which the monetary contribution is predicated, and such operation of the dam for flood control shall be in accordance with rules prescribed by the Secretary of the Army pursuant to the provisions of section 7 of the Flood Control Act of 1944 (58 Stat. 890): *Provided further*, That the funds appropriated under this authorization shall be administered by the Secretary of the Army in a manner which shall assure that the annual Federal contribution during the project construction period does not exceed the percentage of the annual expenditure for the Oroville Dam and Reservoir which the total flood-control contribution bears to the total cost of the dam and reservoir: *And provided further*, That, unless construction of the Oroville Dam and Reservoir is undertaken within 4 years from the date of enactment of this act, the authority for the monetary contribution contained herein shall expire.

SEC. 205. (a) In order to provide adjustments in the lands or interests in land heretofore acquired for the Grapevine Garza-Little Elm, Benbrook, Belton, and Whitney Reservoir projects in Texas to conform such acquisition to a lesser estate in lands now being acquired to complete the real estate requirements of the projects, the Secretary of the Army (hereinafter referred to as the "Secretary") is authorized to reconvey any such land heretofore acquired to the former owners thereof whenever he shall determine that such land is not required for public purposes, including public recreational use, and he shall have received an application for reconveyance as hereinafter provided, subject to the following limitations:

(1) No reconveyance shall be made if, within 30 days after the last date that notice of the proposed reconveyance has been published by the Secretary in a local newspaper, an objection in writing is received by the former owner and the Secretary from a present record owner of land abutting a portion of the reservoir made available for reconveyance, unless within 90 days after receipt by the former owner and the Secretary of such notice of objection, the present record owner of land and the former owner involved indicate to the Secretary that agreement has been reached concerning the reconveyance.

(2) If no agreement is reached between the present record owner of land and the former owner within 90 days after notice of objection has been filed with the former owner and the Secretary, the land made available for reconveyance in accordance with this section shall be reported to the Administrator of General Services for disposal in accordance with the Federal Property and Administrative Services Act of 1949, as amended (63 Stat. 377).

(3) No lands heretofore conveyed to the United States Government by the city of Dallas in connection with the Garza-Little Elm Reservoir project shall be subject to revestment of title to private owners, but shall remain subject to the terms and conditions of the instrument or instruments of conveyance which transferred the title to the United States Government.

(b) Any such reconveyance of any such land or interests shall be made only after the Secretary (1) has given notice, in such manner (including publication) as regulations prescribe to the former owner of such land or interests, and (2) has received an application for the reconveyance of such land or interests from such former owner in such form as he shall by regulation prescribe. Such application shall be made within a period of 90 days following the date of issuance of such notice, but on good cause the Secretary may waive this requirement.

(c) Any reconveyance of land therein made under this section shall be subject to such exceptions, restrictions, and reservations (including a reservation to the United States of flowage rights) as the Secretary may determine are in the public interest, except that no mineral rights may be reserved in said lands unless the Secretary finds that such reservation is needed for the efficient operation of the reservoir projects designated in this section.

(d) Any land reconveyed under this section shall be sold for an amount determined by the Secretary to be equal to the price for which the land was acquired by the United States, adjusted to reflect (1) any increase in the value thereof resulting from improvements made thereon by the United States (the Government shall re-

ceive no payment as a result of any enhancement of values resulting from the construction of the reservoir projects specified in subsection (a) of this section), or (2) any decrease in the value thereof resulting from (A) any reservation, exception, restrictions, and condition to which the reconveyance is made subject, and (B) any damage to the land caused by the United States. In addition, the cost of any surveys or boundary markings necessary as an incident of such reconveyance shall be borne by the grantee.

(e) The requirements of this section shall not be applicable with respect to the disposition of any land, or interest therein, described in subsection (a) if the Secretary shall certify that notice has been given to the former owner of such land or interest as provided in subsection (b) and that no qualified applicant has made timely application for the reconveyance of such land or interest.

(f) As used in this section the term "former owner" means the person from whom any land, or interests therein, was acquired by the United States, or if such person is deceased, his spouse, or if such spouse is deceased, his children, or the heirs at law; and the term "present record owner of land" shall mean the person or persons in whose name such land shall, on the date of approval of this act, be recorded on the deed records of the respective county in which such land is located.

(g) The Secretary of the Army may delegate any authority conferred upon him by this section to any officer or employee of the Department of the Army. Any such officer or employee shall exercise the authority so delegated under rules and regulations approved by the Secretary.

(h) Any proceeds from reconveyances made under this act shall be covered into the Treasury of the United States as miscellaneous receipts.

(i) This section shall terminate 3 years after the date of its enactment.

SEC. 206. The Secretary of the Army is hereby authorized and directed to cause surveys for flood control and allied purposes, including channel and major drainage improvements; and floods aggravated by or due to wind or tidal effects, to be made under the direction of the Chief of Engineers, in drainage areas of the United States and its Territorial possessions, which include the following-named localities: *Provided,* That after the regular or formal reports made on any survey are submitted to Congress, no supplemental or additional report or estimate shall be made unless authorized by law except that the Secretary of the Army may cause a review of any examination or survey to be made and a report thereon submitted to Congress if such review is required by the national defense or by changed physical or economic conditions: *Provided further,* That the Government shall not be deemed to have entered upon any project for the improvement of any waterway or harbor mentioned in this title until the project for the proposed work shall have been adopted by law:

Short Sands section of York Beach, York County, Maine.

Streams, river basins, and areas in New York and New Jersey for flood control, major drainage, navigation, channel improvement, and land reclamation, as follows: Hackensack River, Passaic River, Raritan River, Arthur Kill, and Kill Van Kull, including the portions of these river basins in Bergen, Hudson, Essex, Middlesex, Passaic, Union, and Monmouth Counties, N. J.

Deep Creek, St. Marys County, Md.

Mills Creek, Fla.

Streams in Seminole County, Fla., draining into the St. Johns River.

Streams in Brevard County, Fla., draining Indian River and adjacent coastal areas including Merritt Island, and the area of Turnbull Hammock in Volusia County.

Lake Pontchartrain, La., in the interest of protecting Salt Bayou Road.

San Felipi Creek, Tex., at and in the vicinity of Del Rio, Tex.

El Paso, El Paso County, Tex.

Rio Grande and tributaries, at and in the vicinity of Fort Hancock, Hudspeth County, Tex.

Missouri River Basin, South Dakota, with reference to utilization of floodwaters stored in authorized reservoirs for purposes of municipal and industrial use and maintenance of natural lake levels.

Stump Creek, tributary of North Fork of Mahoning Creek, at Sykesville, Pa.

Little River and Cayuga Creek, at and in the vicinity of Cayuga Island, Niagara County, N. Y.

Bird, Caney, and Verdigris Rivers, Okla. and Kans.

Watersheds of the Illinois River, at and in the vicinity of Chicago, Ill., the Chicago River, Ill., the Calumet River, Ill. and Ind., and their tributaries, and any areas in northeast Illinois and northwest Indiana which drain directly into Lake Michigan with respect to flood control and major drainage problems.

All streams flowing into Lake St. Clair and Detroit River in Oakland, Macomb, and Wayne Counties, Mich.

Sacramento River Basin, Calif., with reference to cost allocation studies for Oroville Dam.

Pescadero Creek, Calif.

Soquel Creek, Calif.

San Gregorio Creek and tributaries, Calif.

Redwood Creek, San Mateo, Calif.

Streams at and in the vicinity of San Mateo, Calif.

Streams at and in the vicinity of south San Francisco, Calif.

Streams at and in the vicinity of Burlingame, Calif.

Kellogg and Marsh Creeks, Contra Costa County, Calif.

Eastkoot Creek, Stinson Beach area, Marin County, Calif.

Rodeo Creek, tributary of San Pablo Bay, Contra Costa County, Calif.

Pinole Creek, tributary of San Pablo Bay, Contra Costa County, Calif.

Rogue River, Oreg., in the interest of flood control, navigation, hydroelectric power, irrigation, and allied purposes.

Kihei District, Island of Maui, T. H.

SEC. 207. In addition to previous authorizations, there is hereby authorized to be appropriated the sum of $200 million for the prosecution of the comprehensive plan adopted by section 9 (a) of the act approved December 22, 1944 (Public No. 534, 78th Cong.), as amended and supplemented by subsequent acts of Congress, for continuing the works in the Missouri River Basin to be undertaken under said plans by the Secretary of the Interior.

SEC. 208. That for preliminary examinations and surveys authorized in previous river and harbor and flood control acts, the Secretary of the Army is hereby directed to cause investigations and reports for flood control and allied purposes, to be prepared under the supervision of the Chief of Engineers in the form of survey reports, and that preliminary examination reports shall no longer be required to be prepared.

SEC. 209. Title II may be cited as the "Flood Control Act of 1958."

TITLE III—WATER SUPPLY

SEC. 301. (a) It is hereby declared to be the policy of the Congress to recognize the primary responsibilities of the States and local interests in developing water supplies for domestic, municipal, industrial, and other purposes and that the Federal Government should participate and cooperate with States and local interests in developing such water supplies in connection with the construction, maintenance, and operation of Federal navigation, flood control, irrigation, or multiple-purpose projects.

(b) In carrying out the policy set forth in this section, it is hereby provided that storage may be included in any reservoir project surveyed, planned, constructed or to be planned, surveyed, and/or constructed by the Corps of Engineers or the Bureau of Reclamation to impound water for present or anticipated future demand or need for municipal or industrial water, and the reasonable value thereof may be taken into account in estimating the economic value of the entire project: *Provided,* That before construction or modification of any project including water supply provisions is initiated, State or local interests shall agree to pay for the cost of such provisions on the basis that all authorized purposes served by the project shall share equitably in the benefits of multiple purpose construction as determined by the Secretary of the Army or the Secretary of the Interior as the case may be: *Provided further,* That not to exceed 30 percent of the total estimated cost of any project may be allocated to anticipated future demands where States or local interests give reasonable assurances that they will contract for the use of storage for anticipated future demands within a period of time which will permit paying out the costs allocated to water supply within the life of the project: *And provided further,* That the entire amount of the construction costs, including interest during construction, allocated to water supply shall be repaid within the life of the project, but in no event to exceed 50 years after the project is first used for the storage of water for water supply purposes, except that (1) no payment need be made with respect to storage for future water supply until such supply is first used, and (2) no interest shall be charged on such cost until such supply is first used, but in no case shall the interest-free period exceed 10 years. The interest rate used for purposes of computing interest during construction and interest on the unpaid balance shall be determined by the Secretary of the Treasury, as of the beginning of the fiscal year in which construction is initiated, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations, which are neither due nor callable for redemption for 15 years from date of issue. The provisions of this subsection, insofar as they relate to the Bureau of Reclamation and the Secretary of the Interior, shall be alternative to and not a substitute for the provisions of the Reclamation Projects Act of 1939 (53 Stat. 1187) relating to the same subject.

(c) The provisions of this section shall not be construed to modify the provisions of section 1 and section 8 of the Flood Control Act of 1944 (58 Stat. 887), as amended and extended, or the provisions of section 8 of the Reclamation Act of 1902 (32 Stat. 390) nor shall any storage provided under the provisions of this section be operated in such manner as to adversely affect the lawful uses of the water.

(d) Modifications of a reservoir project heretofore authorized, surveyed, planned, or constructed to include storage as provided in subsection (b), which would seriously affect the purposes for which the project was authorized, surveyed, planned, or constructed, or which would involve major structural or operational changes shall be made only upon the approval of Congress as now provided by law.

SEC. 302. Title III may be cited as the "Water Supply Act of 1958."

Mr. CHAVEZ. Mr. President, I move that the Senate disagree to the amendment of the House of Representatives, agree to the request of the House for a conference thereon, and that the Chair

appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. CHAVEZ, Mr. KERR, Mr. MCNAMARA, Mr. MARTIN of Pennsylvania, and Mr. CASE of South Dakota the conferees on the part of the Senate.

EXECUTION OF CERTAIN LEADERS OF REVOLT IN HUNGARY

The Senate resumed the consideration of the concurrent resolution (S. Con. Res. 94) expressing indignation at the execution of certain leaders of the recent revolt in Hungary.

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER (Mr. CHURCH in the chair). The Senator from Texas will state it.

Mr. JOHNSON of Texas. Under the unanimous-consent order previously entered, is it now in order for the yeas and nays to be called on the question of agreeing to the concurrent resolution which has been reported from the Foreign Relations Committee, and which was under consideration by the Senate earlier today?

The PRESIDING OFFICER. That order has been entered. However, the Chair is advised that the committee amendments to the concurrent resolution should first be disposed of.

The committee amendments will be stated.

The CHIEF CLERK. On page 2, in line 7, it is proposed to strike out "Hungarian Communist regime and the"; and, beginning in line 8, to strike out "which cooperated with it in the suppression of the independence of Hungary", and insert: "and its instrument for the suppression of the independence of Hungary, the Hungarian Communist regime."

The PRESIDING OFFICER. The question is on agreeing to the committee amendments.

The amendments were agreed to.

Mr. JOHNSON of Texas. Mr. President, I shall ask that the concurrent resolution, as now amended, be read in full, for the information of Senators.

First, Mr. President, I should like to state that, at the request of the distinguished minority leader [Mr. KNOWLAND] and the junior Senator from Minnesota [Mr. HUMPHREY], the concurrent resolution was called up earlier today. It had been unanimously reported from the Foreign Relations Committee, and we felt that the concurrent resolution should receive prompt consideration by the Senate.

The yeas and nays previously were ordered on the question of agreeing to the concurrent resolution. Thereafter, I requested unanimous consent that the further consideration of the concurrent resolution be postponed until an amendment to the tax bill had been disposed of, and until Senators had had time to return to the Chamber after they had had lunch.

Therefore, Mr. President, I now ask unanimous consent that the concurrent resolution, as amended, be read in full, together with the preamble, as proposed to be amended.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chief Clerk read the concurrent resolution (S. Con. Res. 94), as amended, as follows:

Whereas the revolt of the Hungarian people in 1956 against Soviet control was acclaimed by freedom-loving people throughout the world; and

Whereas the suppression of the Hungarian revolt of 1956 by the armed forces of the Soviet Union was condemned by the General Assembly of the United Nations; and

Whereas the leader of the Hungarian Government and people in the unsuccessful revolt against Soviet oppression was induced to leave the sanctuary of the Yugoslavian Embassy in Budapest on promises of safe conduct and fair treatment on the part of the Hungarian Communist regime which was not in a position to take such action without the approval of the Soviet Union; and

Whereas these promises were treacherously ignored by Soviet forces and Imry Nagy was seized and held incommunicado; and

Whereas the Soviet-imposed Communist regime of Hungary has now announced that Imre Nagy, together with his colleagues Miklos Gimes, Pal Maleter, and Jozsef Sziagyi have been tried and executed in secret; and

Whereas this brutal political reprisal shocks the conscience of decent mankind: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress of the United States that the President of the United States express through the organs of the United Nations and through all other appropriate channels, the deep sense of indignation of the United States at this act of barbarism and perfidy of the Government of the Soviet Union and its instrument for the suppression of the independence of Hungary, the Hungarian Communist regime; and be it further

Resolved, That it is the sense of the Congress of the United States that the President of the United States express through all appropriate channels the sympathy of the people of the United States for the people of Hungary on the occasion of this new expression of their ordeal of political oppression and terror.

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution.

On this question, the yeas and nays have been ordered; and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. I announce that the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I further announce that if present and voting the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business, because of duty with the Air Force.

The Senator from Indiana [Mr. JENNER] is necessarily absent.

If present and voting, the Senator from Arizona [Mr. GOLDWATER], and the Senator from Indiana [Mr. JENNER] would each vote "yea."

The result was announced—yeas 91, nays 0, as follows:

YEAS—91

Aiken	Fulbright	Morse
Allott	Green	Morton
Anderson	Hayden	Mundt
Barrett	Hennings	Murray
Beall	Hickenlooper	Neuberger
Bennett	Hill	O'Mahoney
Bible	Hoblitzell	Pastore
Bricker	Holland	Payne
Bridges	Hruska	Potter
Bush	Humphrey	Proxmire
Butler	Ives	Purtell
Byrd	Javits	Revercomb
Capehart	Johnson, Tex.	Robertson
Carlson	Johnston, S. C.	Russell
Carroll	Jordan	Saltonstall
Case, N. J.	Kefauver	Schoeppel
Case, S. Dak.	Kennedy	Smathers
Chavez	Kerr	Smith, Maine
Church	Knowland	Smith, N. J.
Clark	Kuchel	Sparkman
Cooper	Langer	Stennis
Cotton	Lausche	Symington
Curtis	Long	Talmadge
Dirksen	Magnuson	Thurmond
Douglas	Malone	Thye
Dworshak	Mansfield	Watkins
Eastland	Martin, Iowa	Wiley
Ellender	Martin, Pa.	Williams
Ervin	McClellan	Young
Flanders	McNamara	
Frear	Monroney	

NOT VOTING—5

Goldwater	Jackson	Yarborough
Gore	Jenner	

So the concurrent resolution (S. Con. Res. 94) was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the committee amendments to the preamble of the concurrent resolution.

Without objection, the committee amendments to the preamble will be agreed to.

The question now is on agreeing to the preamble, as amended.

The preamble, as amended, was agreed to.

EXTENSION OF CORPORATE AND EXCISE TAX RATES

The Senate resumed the consideration of the bill (H. R. 12695) to provide a 1-year extension of the existing corporate normal tax rate and of existing excise tax rates.

Mr. COTTON. Mr. President, I call up my amendment identified as "6–3–58–K."

The PRESIDING OFFICER (Mr. CHURCH in the chair). The amendment of the Senator from New Hampshire will be stated.

Mr. COTTON. Mr. President, I ask unanimous consent to dispense with the reading of the amendment, but I ask that it be printed in the RECORD.

The PRESIDING OFFICER. Is there objection?

There being no objection, Mr. COTTON's amendment was ordered to be printed in the RECORD, as follows:

At the end of the bill to insert a new section as follows:

"SEC. 4. Suspension of certain excise taxes until January 1, 1959.

"(a) Retailers and manufacturers excise taxes: Except as provided in subsection (e)—

"(1) the taxes imposed by chapter 31 of the Internal Revenue Code of 1954 shall not

apply to articles sold at retail during the excise tax suspension period (as defined in subsection (d)), and

"(2) the taxes imposed by chapter 32 of the Internal Revenue Code of 1954 shall not apply to articles sold by the manufacturer, producer, or importer thereof during the excise tax suspension period.

"(b) Communications taxes: The taxes imposed by subchapter B of chapter 33 of the Internal Revenue Code of 1954 shall not apply to amounts paid during the excise tax suspension period for communication services or facilities.

"(c) Transportation of persons: The taxes imposed by subchapter C of chapter 33 shall not apply to amounts paid during the excise tax suspension period for, or in connection with, transportation.

"(d) Suspension period: For purposes of subsections (a), (b), and (c), the excise tax suspension period is the period beginning on the first day of the first month which begins more than 10 days after the date of the enactment of this act and ending as of the close of December 31, 1958.

"(e) Exception for earmarked taxes: Subsection (a) shall not apply with respect to any tax if—

"(1) the proceeds of such tax, or any part thereof, are appropriated to any trust fund established by law, or

"(2) an amount equal to the proceeds of such tax, or any part thereof, is authorized by law to be appropriated for a specific purpose.

"For purposes of paragraph (1), the proceeds of a tax, or a part thereof, shall be considered to be appropriated to a trust fund, if an amount equal to the amount of the tax collected, or equal to a portion of the tax collected, is appropriated to a trust fund."

Mr. COTTON. Mr. President, it will take only a few minutes to explain the amendment. It provides for a moratorium on certain taxes, which in all probability would be a 6 months moratorium; that is, it would last until December 31, 1958.

The amendment would not apply to the tax on liquor, on tobacco, on admissions, or on nightclubs, and would not apply to taxes which have been earmarked for certain trust funds, such as the taxes on gasoline, diesel fuel, tires, tubes, and other taxes earmarked for the highway trust fund, or to certain taxes on fishing equipment, guns, and ammunition, which have been earmarked and dedicated to wildlife conservation and similar purposes.

The excise tax suspension would apply to jewelry, watches, clocks, and related items, toilet preparations, luggage, handbags, and wallets.

It would also apply to automobiles and automobile parts, refrigerators, stoves, heaters, and other electrical household appliances, light bulbs, radio and TV sets, phonograph records, musical instruments, sporting goods, cameras, and film, business machines, fountain pens, and mechanical pencils.

It would also apply to transportation of property and persons, and transportation of oil by pipeline.

It would also apply to local and long-distance telephone service and telegraph service.

I think we all realize, and agree with the administration, the Treasury, and the Committee on Finance, that we cannot afford at this time not to hold the line against substantial tax reduction.

I suggest, Mr. President, that the amendment has several meritorious features.

First, the amendment would not open the door for all kinds of other proposals for reducing taxes.

Second, the amendment would not open the door for an argument as among various commodities.

Third, the amendment would suspend certain taxes or the collection thereof only until the second half of the fiscal year, beginning January 1, 1959. The moratorium, furthermore, would be self-terminating.

Mr. President, this would be nothing more nor less than a nationwide bargain sale. The amendment proposes for the Government the same technique which wise businessmen have used for years, a bargain sale whenever sales are lagging and shelves are filling.

On paper, I am informed, it is estimated a 6-month moratorium on these particular taxes, calculated at the rate at which the taxes have been received during recent years—not at the lower rate at which they are likely to be received this year—might cost from $1.5 billion to $1.7 billion. I submit that would not be the cost of the amendment, because of added income which would accrue from the impetus to business and sales. The Government would receive added income from the same taxes when collection was resumed, which would make up for a good portion of the loss, if not all.

Mr. President, the sum involved is not so shocking when it is realized that only yesterday we authorized the expenditure of $1½ billion for rivers and harbors and improvements; that we have obligated the Government to the extent of $1.8 billion under the so-called emergency housing bill; that we have used Government credit, at least, to the tune of $4 billion to increase FHA mortgage insurance authorizations; and that we have authorized a billion dollars by the community facilities bill, $250 million by the small business investment bill, and $300 million by the area redevelopment bill.

I submit, Mr. President, that not one single measure for the boosting of business, for the relief of the business slump, or for the relief of the so-called recession which has been offered or adopted by Congress this year will have the immediate impact and the widespread result that a moratorium—not a repeal but a moratorium—on these taxes on durable goods would have. We are largely up against a buyer's strike. Those who desire to purchase automobiles, television sets, washing machines, or electrical appliances, when they realize they can purchase them without the added taxes for a period of the next 5 or 6 months, will do so. This will be the greatest "shot in the arm" for business and for the general economic health we could possibly provide.

It is my honest opinion that the net loss in revenue to the Government of the United States would be very small indeed. With respect to the effect on the economy, this would be a small investment, in comparison with some of the investments we have made, for objects in the nature perhaps of public works or "pump priming," to a certain extent, during recent months.

That is the reason I offer the amendment. That is the whole story. I hope the Senate will give the amendment careful consideration, because I happen to feel sincerely that the proposal is sound economically and will have an immediate impact on the health and prosperity of the country.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point two editorials in support of the excise tax moratorium, one from the Concord (N. H.) Monitor of June 7, 1958, and the other from the Nashua (N. H.) Telegraph of June 10, 1958.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Concord (N. H.) Monitor of June 7, 1958]

TAX RELIEF

Senator COTTON has strong arguments for a moratorium on some taxes, but if any relief is forthcoming it will have to be initiated in the Senate. The House of Representatives has voted to continue present corporation and excise taxes until July next year.

The New Hampshire Senator has urged a moratorium on retailers' and manufacturers' taxes as a stimulus to economic recovery. He says that even temporary relief from excise taxes would help the unemployed and the consumer. He says price reductions could be made if tax relief were given and that a moratorium would aid industries hardest hit, steel, automobiles, appliances, and manufactured goods.

The whole area of excise taxes is one that requires exploration for they add to the cost of many necessary services, such as telephones. But many Senators are concentrating their attack on levies on automobiles and on railroad freight and passenger service.

Unless Congress moves to extend corporate income tax rates and excises, the Government will confront a $2 billion decrease in revenue. About half the loss would result from reductions of corporate income levies from 52 to 47 percent. About half would come from paring excises.

Some Senators are convinced reductions in motor and rail excises are most needed. They want a reduction from 10 to 7 percent on new cars and a cut of from 8 to 5 percent on accessories. They point out that since manufacturers have promised to pass along excise relief to buyers the result would be increased sales. Auto producers and steel which depends heavily on automotive manufacture, are among the worst distressed in the current slump.

There is no doubt that Senator COTTON's plea for a moratorium on certain taxes would be beneficial. It would provide a much needed breathing spell pending an anticipated upturn in business.

Any relief from burdensome personal income taxes apparently is out of the picture in Washington. There is a question how much the administration will yield in other tax fields. The Federal Government is facing deficits this year expected to bulk more than $3 billion. Next year the deficit is anticipated to be much higher. For this reason there is coolness toward any tax relief suggestions.

[From the Nashua (N. H.) Telegraph of June 10, 1958]

COTTON PLAN

New Hampshire Senator NORRIS COTTON offers some pretty good arguments these days

for a moratorium on some forms of manufacturers' and retailers' taxes—we have come to classify them as excise taxes—as a means of speeding recovery from the recession we are in these days.

The other day we ran an item showing that subscribers to the phone system in Nashua pay almost $200,000 in excise taxes, just for their phones, or about $20 per subscriber, and you would have to go far to find, these days, that telephones are unnecessary.

The National House of Representatives has voted to continue excise and corporation taxes until July of next year, so if there is to be any relief on this score it will have to be initiated in the Senate, of which the New Hampshire man is a valuable Member.

There are many ways in which excise taxes hit the public pocketbook and, of course, if they are cut off there would be a decrease of about $1 billion in national income. But then we would have to cut the cloth to fit the material and might discover astonishingly enough—that we could do without some of the frills we have been paying for for a good many years. Of equal importance in any plan for quick recovery of this Nation is that of reducing the corporate income levies from the present 52 to 47 percent.

Some of our Senators are already stumping for reductions in the excise levies of new cars from 10 to 7 percent and a cut of from 8 to 5 percent on such accessories as tires and the like. If our auto industry is down, as has been proven, then our entire economy is out of kilter. Put the auto industry back on its feet and our entire economy will be on an even basis again.

Senator COTTON's plea for a moratorium would be of great benefit to industry and our workers. It would give industry a breathing spell, a chance to get back on its feet and spur buying.

You can write off chances for income-tax reductions for a long time. But in the field of corporate and excise taxes the problem ought to be explored carefully and some relief provided.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. COTTON. I am glad to yield to the distinguished Senator.

Mr. BYRD. I should like to ask the distinguished Senator a question. As I understand, the amendment applies to retailers' and manufacturers' excise taxes and suspends them for 6 months.

Mr. COTTON. With certain exceptions.

Mr. BYRD. What are the exceptions?

Mr. COTTON. The suspension would start the first of the month which was more than 10 days after the final enactment of the measure. It would be, actually, 6 months.

Mr. BYRD. A manufacturer's excise tax is paid when the article is manufactured; is it not?

Mr. COTTON. I believe it is, yes.

Mr. BYRD. Suppose the manufacturing plants should accumulate on a mass of these articles during the period the tax did not apply?

Mr. COTTON. Is the question, Would they expect not to be taxed after the period is over?

Mr. BYRD. The manufacturers are taxed, as I understand, at the time of manufacture.

Mr. COTTON. It is the theory and intent of the amendment that the tax will be collected when the article is sold, and that no tax will be forgiven for any article actually sold after the expiration of the moratorium period.

Mr. BYRD. Does the Senator not think there would be a good deal of confusion in the retail prices of such articles, some of which did not include a manufacturer's tax and others of which did?

Mr. COTTON. I am not in a position to say there would be no confusion. It seems to me that an amendment so clear as the one proposed, which simply would suspend the excise taxes on these particular commodities for a fixed time, ought not to result in such confusion as to make the law impractical to enforce. I may be wrong. I recognize that the distinguished Senator from Virginia is a far better authority in this field than I could hope to be.

Mr. BYRD. We are told by tax authorities if we permit excise taxes to expire or lapse it would be practically impossible to reinstate them without tremendous confusion.

Mr. COTTON. The amendment would not affect the liquor taxes or tobacco taxes.

Mr. BYRD. I understand. But the amendment does relate to retailers' and manufacturers' excise taxes. I think there are about 25 manufacturers' excise taxes and about 5 retailers' excise taxes. It seems to me it would be very confusing if these taxes should expire for a limited time, then to be reinstated.

Mr. COTTON. It is my understanding that the collection of excise taxes at the present time presents elements of great confusion. I can hardly concede that the suspension of the taxes for a limited period would create any greater confusion than exists at the present time in their collection.

Mr. BYRD. The estimate of revenue loss envolved by this amendment as furnished to the committee is $1,676,000,000 for a period of 6 months.

Mr. COTTON. The figure for the estimated loss which has been furnished me shows that the direct loss in taxes in a period of 6 months would be, roughly, $1,700,000,000. As I stated a few moments ago, that is based on the assumption that sales would continue at the level of past years. Of course, it does not take into consideration the added income from other sources which would accrue to the Government by reason of the stimulation of business which I believe this amendment would bring about. It is perfectly true that the figure referred to would be the loss on paper. However, I do not concede that that would be the net loss to the Government. I am not sure that there would be much, if any, net loss if this amendment had the stimulating effect on the economy which I hope and believe it would have.

Mr. BYRD. Mr. President, suspension of these excise taxes would cause a great deal of confusion. The estimate of revenue loss is $1,676,000,000. I hope the amendment will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New Hampshire [Mr. COTTON].

The amendment was rejected.

Mr. KEFAUVER. Mr. President, on behalf of the Senator from North Dakota [Mr. LANGER], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Missouri [Mr. HENNINGS], and the Senator from Colorado [Mr. CARROLL], and myself, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. Does the Senator desire to have the amendment read at length?

Mr. KEFAUVER. I ask unanimous consent that the amendment be printed in the RECORD at this point without reading.

The PRESIDING OFFICER. Without objection, the text of the amendment will be printed in the RECORD at this point without reading.

The amendment offered by Mr. KEFAUVER for himself and other Senators is as follows:

SEC. 4. Refund of half of the tax on passenger automobiles to manufacturers who pay an equal amount to ultimate purchasers.

(a) Allowance of special refund: Subchapter B of chapter 65 of the Internal Revenue Code of 1954 (relating to special rules for abatements, credits, and refunds of taxes) is amended by adding at the end thereof the following new section:

"SEC. 6424. Credit or refund of manufacturers excise tax on passenger automobiles.

"(a) Allowance: There shall be credited or refunded (without interest) to the manufacturer, producer, or importer of any article subject to tax under section 4061 (a) (2) (relating to manufacturers excise tax on passenger automobiles) one-half of the tax paid by him under such section on his sale of any article which is purchased by the ultimate purchaser on or after May 1, 1958, if the manufacturer, producer, or importer—

"(1) pays to ultimate purchaser of such article, within 90 days after the date of purchase of such article by the ultimate purchaser, an amount equal to one-half of the tax paid by him on his sale of such article, and

"(2) furnishes proof, satisfactory to the Secretary or his delegate, of such payment to the ultimate purchaser.

"(b) Limitation: Subsection (a) shall apply with respect to the tax imposed under section 4061 (a) (2) on the sale by the manufacturer, producer, or importer of any article, only if the sale of such article to the ultimate purchaser takes place in the United States.

"(c) Time for filing claims: Claims for credit or refund under subsection (a) may be filed with the Secretary or his delegate not more frequently than once each calendar month. Claim for credit or refund shall be filed with respect to the tax paid on any article, not later than 6 months after the date on which the claimant makes payment, with respect to such tax, to the ultimate purchaser of such article.

"(d) Other provisions applicable: All provisions of this subtitle shall, to the extent not inconsistent with the provisions of this section, apply to any credit or refund made under subsection (a) to the same extent, and in the same manner, as if such credit or refund were made with respect to an overpayment of tax.

"(e) Regulations: The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which credits or refunds may be made under this section."

(b) Table of sections: The table of sections for such subchapter is amended by adding at the end thereof

"SEC. 6424. Credit or refund of manufacturers excise tax on automobiles."

Amend the title so as to read: "An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and to provide a refund to the manufacturer of one-half of the tax on passenger automobiles if the manufacturer pays an equal amount to the ultimate purchasers of such automobiles."

Mr. KEFAUVER. Mr. President, I feel that this is an important amendment, and therefore I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. KEFAUVER. Mr. President, I ask unanimous consent that the yeas and nays be ordered on this amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the yeas and nays are ordered on the pending amendment.

Mr. KEFAUVER. Mr. President, before explaining this amendment I wish to state my general philosophy and ideas with reference to the pending tax bill and the renewal of certain excise taxes.

I believe that the basic thing at the present time is to obtain reductions in prices which will place purchasing power in the hands of the consumer. We know that we are in a recession, and that many people are not buying things because they do not have purchasing power. It should be one of the important considerations in connection with the tax bill to see if we can make justifiable reductions which will stimulate our economy, put our free enterprise system to work, get jobs back for people, and enable us to get over the recession from which we are now suffering.

So far as the excise tax provisions are concerned, I could not vote for the amendment of my distinguished colleague from Illinois [Mr. DOUGLAS]. I rarely disagree with him, but I felt that his amendment would reduce taxes too much during a period when we must have a great number of public works in order to provide employment. I was not in favor of all the excise tax reductions contained in the amendment of the Senator from Illinois, They were not proposed on a selective basis.

Some of the reductions would have meant that people other than consumers would have obtained the benefit. His amendment would not in all cases have put money into the hands of consumers or purchasers, and would not, to that extent, stimulate the economy.

I am in favor of selective reductions in excise taxes, when the result is to place purchasing power in the hands of people who need it and who will use it, thus stimulating our economy. I believe that in that category is the transportation tax. I did not vote for the amendments offered by the Senator from Michigan [Mr. MCNAMARA] a few minutes ago, which would have taken the excise tax off automobiles entirely. That would be going too far.

Moreover, there was no assurance in the McNamara amendments that the tax reduction would eventually find its way to the purchaser of an automobile. I have confidence, of course, in the great automobile companies. We know that the automobile dealers, by and large, are honorable. However, simply to take the tax off, in the face of a possible rise in the price of an automobile, and the adjustments which can be made in trade-in allowance would provide no assurance that the amount of the reduction would eventually reach the purchaser of an automobile.

It is commendable that the Monroney bill, to require the labeling of the price of an automobile has been passed by the Senate. But there are so many places where a tax reduction might be dissipated or lost or taken up before the automobile got to the eventual purchaser, that I could not favor the McNamara amendments.

My amendment has a built-in, absolute guaranty that the reduction of one-half in the excise tax, from 10 percent to 5 percent, will be paid to the purchaser of the automobile. It is retroactive to May 1. It works in this way: The automobile manufacturer pays the full tax, as he does now. Then, when he receives written evidence of a contract showing that the automobile has been sold by the dealer to a purchaser, the manufacturer refunds to the purchaser one-half the amount of the excise tax, or 5 percent.

In other words, if the price of the automobile were $2,000, the excise tax would be $200. When it was sold to the ultimate purchaser, and the automobile manufacturer received evidence that it had been sold, the manufacturer would refund $100, or one-half of the excise tax, directly to the purchaser. That information would be immediately passed on to the Internal Revenue Service, and the automobile manufacturer would receive a credit on his tax account.

Much the same system, of course, has worked out very well in connection with the purchase of gasoline by farmers.

It would mean that the purchaser would have money in his hands with which he would be able to buy other things.

I agree fully with what has been said about the automobile industry being the bellweather of our economy. If automobiles are not sold, all segments of our economy are adversely affected, as we all know.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. REVERCOMB. When does the able Senator from Tennessee contemplate that the purchaser of an automobile would receive the refund?

Mr. KEFAUVER. Within 90 days after the purchase. That is what is provided on page 2 of the amendment.

Mr. REVERCOMB. Who would make the refund to the purchaser?

Mr. KEFAUVER. The manufacturer, who would have been liable for the full taxes in the first instance. He would make the refund upon receiving proof of the sale of the automobile. Of course the necessary records are kept in the case of automobiles.

Mr. REVERCOMB. In other words, the refund would not pass through the dealer, but would come to the purchaser from the manufacturer. Is that correct?

Mr. KEFAUVER. The Senator is correct. Then the manufacturer would so advise the Internal Revenue Service, and his tax account would be credited with the amount he had refunded to the purchaser.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. JAVITS. Would there be anything in the law sought to be enacted by the Senator which would prevent the automobile dealer giving a 5-percent credit immediately on the purchase of the car?

Mr. KEFAUVER. There would not be anything in the amendment to prevent it. I propose 90 days. The actual working out of the arrangement would go into effect immediately upon the automobile manufacturer receiving certification of the contract with the purchaser. Conceivably, the refund could be made within a few days, that could happen within a matter of a day.

Mr. JAVITS. What I have in mind is this: Would there be anything in the statute, if the Senator's amendment were adopted, which would prevent the automobile dealer from giving the purchaser a credit of five percent on his automobile. The automobile manufacturer might not get the certification for 30 or 60 or 90 days. I believe most automobile dealers are in good enough financial shape so that they could wait for the refund by the manufacturer.

Mr. KEFAUVER. No; there would be nothing to prevent it. I thank the Senator.

Mr. REVERCOMB. Mr. President, will the Senator yield further?

Mr. KEFAUVER. I yield.

Mr. REVERCOMB. Instead of having all the arrangements with reference to the advice to the manufacturer and the refund from the manufacturer to the ultimate consumer, all of it to be done within 90 days, would it not be very much simpler if the amendment were to provide that the excise tax would be cut in half, to 5 percent, so that that would be the amount of the excise tax paid, instead of the present 10 percent? What merit is there in the arrangement the Senator from Tennessee would create? Why provide for a 5 percent refund by the manufacturer? Why not cut the tax in half in the first instance? Why not make the rate 5 percent instead of 10 percent?

Mr. KEFAUVER. I admit it would be easier to do it the way the Senator from West Virginia suggests. Howevér, there can be no assurance in such a simple action that the tax reduction will ever get to the ultimate purchaser.

Because the buyer under my amendment would know that he would receive the tax reduction, the measure could be expected to bring about a restoration of confidence on the part of the public, particularly on the part of those who are interested in buying automobiles, and

thereby provide a real stimulus to our economy.

Unless the matter were handled in the way proposed by the amendment, a purchaser would not have full confidence that he was actually getting the benefit of the excise tax reduction. If it were handled in this way, he would know that 100 percent of the reduction was actually coming to him. Otherwise, he would not be sure about it. Therefore, I believe the adoption of my amendment would stimulate the purchase of automobiles.

We have had considerable testimony on the subject before the Antitrust and Monopoly Subcommittee. We have had testimony from dealers and purchasers and other witnesses. We have also had the testimony of automobile executives. All the evidence indicates that the failure of consumers to buy more cars is due to the high prices. My proposal is simply one way of bringing about lower prices. It would do this in such a way the buyer would know that he was the one getting the benefit of the reduction.

I do not accuse the automobile companies or the automobile dealers of not carrying out fully their obligations. It is probable, particularly if there is to be an increase in the price of steel, that there may be a further increase in the price of the 1959 model automobiles. An automobile company getting a tax reduction might increase the price of the automobile, thereby offsetting, as far as the consumer is concerned, the tax reduction.

In the case of the dealer, there are many uncertainties. The list price is one thing; the actual price may be another. Allowances must be made on used cars. Perhaps a simple reduction in the excise tax would ultimately reach the automobile buyer, but then perhaps it would not. The way to resolve any uncertainty is in the way that I have suggested.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. REVERCOMB. As I understand, the purpose of the Senator's amendment is to be of assistance and benefit to the car purchaser, the person who buys an automobile.

Mr. KEFAUVER. That is correct.

Mr. REVERCOMB. Also, it is to place in his pocket the money which would be saved by the reduction in the tax. It seems to me, if I may address a suggestion to the Senator, that the purchaser of the car would be far better off and have his saving available to him, whatever it might be—perhaps a reduction of $100—if he had that amount in his pocket, instead of having to wait until someone refunded the money to him after he had paid it.

If the plan of the Senator's amendment is to be adopted, the purchaser will have to pay the extra money to the car seller and will then have to wait up to 90 days to get the money back. But if there were a reduction of one-half of the present excise tax on the automobile and it were reflected in the price of the car, the purchaser would have the money in his pocket for such use as he desired to make of it.

It seems to me that the involved plan of requiring a person to pay a tax and then having half of it paid back to him is rather involved and deprives the person for some time of his money which is out of pocket.

Mr. KEFAUVER. What the Senator says might be true; but there is an important if—if the purchaser actually gets it. There is no reason why there should be any delay in the purchaser getting his refund.

It is also true, as was suggested by the Senator from New York [Mr. JAVITS], that the matter could be handled informally by the dealer, who is solvent, so that the buyer of the automobile could get his money immediately. The testimony definitely convinced me that under this plan the purchaser would have more confidence that he would get the money, and that there would be more likelihood of automobiles being purchased in greater numbers, than under a simple reduction of one-half of the excise tax.

A further drawback of the other proposal is that there would not be any real way of the purchaser's even knowing whether he had received the benefit of the reduction.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. BENNETT. I wish to give the Senator an opportunity to clear up an apparent inadvertent conclusion. The Senator from Tennessee answered the Senator from West Virginia, as I understood him, by saying that the amendment required a direct refund from the manufacturer to the purchaser, without the dealer being involved.

But when the Senator from New York questioned the Senator from Tennessee, the Senator from New York asked why the dealer could not make the refund at the time the car was sold, and the Senator from Tennessee said he thought the dealer could. Which is the correct interpretation of the Senator's amendment?

Mr. KEFAUVER. The original statement sets forth the way the plan would work. The refund would be made directly to the purchaser by the manufacturer. If, informally, the dealer wanted to let the customer have $100, knowing that the customer would receive $100 from the manufacturer, which he could then get back from the customer, I see no reason such arrangements could not be entered into. But such arrangements would have to be worked out separately, between the dealer and the purchaser, if they wanted to do so.

Mr. BENNETT. The dealer would have no legal assurance that he could recover his advance to the consumer; that would have to depend on the credit of the customer.

Mr. KEFAUVER. The dealer might be able to get the money by an assignment from the purchaser. He might be able to work out some agreement of that kind.

Mr. BENNETT. But that is not the main purpose of the amendment.

Mr. KEFAUVER. That is not provided in the amendment. Such arrangements would be covered by the law of contracts, if the dealer and the customer wanted to enter into them.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. CLARK. The Senator from Tennessee referred a short time ago to the prospective rise in the cost of steel, and said that that might offset or even exceed any benefits which might ultimately accrue to the consumer under the amendment. Am I correct in understanding that only 12 days remain before the increase in the price of steel will become effective?

Mr. KEFAUVER. As the Senator from Pennsylvania so well pointed out yesterday, only 12 days remain until the third year of the contract between the steelworkers and the steel companies becomes operative. Last year when that happened, the steel companies raised the price of steel at least twice as much as the increase in the wage cost. It has been announced and generally stated in Iron Age and other trade magazines that the steel companies plan to raise the price of steel on or shortly after July 1.

Mr. CLARK. Yesterday the question was asked in the Senate as to how much the price of steel was raised the last time there was an increase over and above the amount required by the increase in wages. I was asked to give some figures on that point, which I gave to the best of my recollection on the basis of testimony which the Senator from Tennessee had taken before his committee some time ago. I wonder if the Senator has those figures in his mind and can say whether I was correct in my statement that the last increase in the price of steel was several times as much as was required to cover the increased cost of labor.

Mr. KEFAUVER. The increase in the price of steel on July 1, 1957—and the pattern has generally been the same—was at least twice as much as the increase in costs resulting from the increase in wages. Specifically, the price of steel last July 1 was raised $6 a ton. The subcommittee examined evidence presented by the steel companies, the United Steel Workers, and independent sources. It was our considered conclusion that the increases in wage costs was $2.50 or $3 as compared to the increase in price of $6 a ton.

Mr. CLARK. I thank my friend. I wonder whether he has seen anything to indicate that his plea to the President to call together the steel manufacturers and the steel workers in an effort to avoid a substantial additional rise in the price of steel 12 days from now is bearing any fruit.

Mr. KEFAUVER. The speech made yesterday by the junior Senator from Pennsylvania was one of the most encouraging results I have seen. Editorials have been published. Consumers are worried.

I wrote the President a very complete letter in which I pointed out that for some time before the OPA law became effective—28 months to be exact—the price of steel was limited through voluntary methods to an increase of 2 percent.

That is, through pleas to the industry and the heads of labor unions and through other voluntary actions, the price of steel was held at its then present level for 28 months, increasing only 2 percent.

In the corresponding period before World War I when no strong effort was made on the part of the executive to hold down prices, the price of steel increased by 103 percent. We are now in the same situation.

I am glad the Senator from Pennsylvania has brought up this point, because whenever the patriotism and good judgment of the leaders of industry and labor have been appealed to, in a consistent, determined way in an attempt to get them to try to hold the price line and the wage line, such efforts have usually been relatively successful. When the dangers involved in price rises and wage increases, in terms of the effect on the national economy, as well as the effect on the members of the laboring groups, were continuously stressed by the President, during the early part of World War II and during the Korean war, the voluntary approach met with considerable success. So, recently I made that type of proposal to the President. However, he replied that he would continue to pursue the same method he had been pursuing, and that he did not "take" to this idea.

Mr. CLARK. Mr. President, will the Senator from Tennessee yield further to me?

Mr. KEFAUVER. I yield.

Mr. CLARK. Does the Senator from Tennessee agree that if, during the next 12 months, the President continues to pursue the method he has pursued in the past in this regard, there is no doubt that the price of steel will rise? In short, does the Senator agree that under such circumstances there can be no doubt that the price of steel will rise on July 1.

Mr. KEFAUVER. In my opinion there is no doubt about it. The steel companies have been advertising that the price of steel will rise; many of their customers have been rushing to purchase steel, on the theory that the price will rise on July 1.

Last year, before the increase of $6 a ton in the price of steel, the President issued a very vague statement expressing his unhappiness at the prospect of more inflation. He did not follow through with any real action. If the same thing happens this year, without more vigorous or stronger actions being taken, I think there will be another increase in the price of steel and, conseequently, an increase in the prices of automobiles, refrigerators, washing machines, tin cans, tractors, and so forth; there will be further inflation.

Mr. CLARK. On the other hand, if the pending amendment is agreed to, the price of automobiles to the ultimate consumers will be reduced, will it not?

Mr. KEFAUVER. Yes, it will be reduced 5 percent.

Mr. CLARK. Yet the administration appears to have no more interest in this amendment than it has shown in the taking of steps to prevent the prospective increase in the price of steel. Is that correct?

Mr. KEFAUVER. The administration has not taken a definite stand on this amendment, although I understand the administration has expressed opposition to any amendments at all to the pending tax bill.

I hope very much that my colleagues on the Republican side of the aisle will vote for the amendment. Unless the excise tax on automobiles is reduced, so as to encourage the purchase of more automobiles, the recession will drag on, perhaps get worse.

Mr. CLARK. Mr. President, I thank my friend, the distinguished Senator from Tennessee, for his contributions in this field, and also for the information he has supplied.

Mr. KEFAUVER. I have been glad to have the Senator from Pennsylvania ask his questions. From them any from the facts we have been presenting, it can readily be seen that unless action of this sort is taken, we will be faced with a continuation of the paradox of rising prices and falling production and employment, on and on. In the case of the prospective increase in the price of steel, the only person who can do anything now to prevent it is the President of the United States.

Mr. CARROLL. Mr. President, will the Senator from Tennessee yield to me?

Mr. KEFAUVER. I yield.

Mr. CARROLL. I recall that some months ago a similar amendment was debated on the floor of the Senate; and at that time many telegrams were received, including telegrams from the leading automobile-producing companies of the Nation, who promised that if the excise tax on automobiles were cut, the cut would be passed on to the consumers.

As I understand the amendment of the Senator from Tennessee, it is similar in purpose to the amendment then proposed, although not identical to it, in that the amendment previously proposed would have completely eliminated the excise tax on automobiles, whereas the pending amendment of the Senator from Tennessee would result in the elimination of 50 percent of the excise tax on automobiles.

Is not the purpose of the amendment to have that benefit passed on to the consumers?

Mr. KEFAUVER. Yes; the purpose is to guarantee that it will be passed on to the consumers.

Mr. CARROLL. The Anti-Monopoly Subcommittee of the Senate Committee on the Judiciary has held hearings on this subject. Is it not true that, as a result of the hearings held by the Anti-monopoly and Antitrust Subcommittee, the opinion of the subcommittee is that the automobile industry has priced itself out of the market?

Mr. KEFAUVER. Yes.

Mr. CARROLL. Is it not the purpose of the amendment of the Senator from Tennessee, by means of the reduction he proposes in the excise tax on automobiles, to reduce prices of automobiles, and thereby stimulate the automobile industry, and, in turn, stimulate the producers of steel, rubber, glass, upholstery, and so forth, embracing approximately 18,000 suppliers to the automotive industry?

Mr. KEFAUVER. That is correct. The Senator from Colorado has stated very, very well the purpose of the amendment.

The record shows that one person out of every seven in the United States either directly or indirectly owes his livelihood to the automobile industry. Undoubtedly one of the reasons for the present recession—and let us not try to decide now who is to blame for it—has been the high price of automobiles and the fact that the sales of new automobiles have met with purchaser resistance. When, as a result, the automobile industry declined, the rubber, textile, steel, copper, and aluminum industries, and almost all the other industries were adversely affected; and that has been one of the principal reasons for the recession which exists today. However, that is past history.

The question now before us is how to get the automobile industry going again and how to get people to resume the purchase of automobiles. Price plays a very important part in a person's decision as to whether he will or will not purchase an automobile. If he believes he will be able to get a good price, he will buy an automobile. On the other hand, if he does not think so, he will either buy a second-hand automobile or will make his old car do for a while longer.

We have received expert testimony on this subject. We have received testimony from experts who have studied the question of the elasticity of demand—that is the effect of price changes on sales—as it relates to automobiles. Some of those studies have been made for the automobile companies themselves; one has been made by the Department of Commerce; and others have been made by individual students of the subject who were working on their own. The studies show that when the price of automobiles is reduced by 1 percent, the sales of automobiles increases anywhere from 1.2 percent to as much as 2 percent. If we accept the minimum estimate, namely, that a 1 percent reduction in the price of automobiles will result in an increase of 1.2 percent in their sales, then if this amendment is agreed to, 250,000 more automobiles, at a minimum, will be purchased. Dr. Roos made a study for General Motors Corp.; he found the elasticity of demand to be 1.5; that is, purchases of automobiles increased by 1.5 percent with a 1 percent reduction in price. Dr. Atkinson, of the Department of Commerce, found that the elasticity was 1.4.

Using the prices of the Bureau of Labor Statistics, Dr. Suits' method yields an elasticity of 1.2.

Dr. Chow, who testified before our committee, found the elasticity at least 1.2.

Mr. President, this is a very important matter.

According to the figures arrived at by the studies—some of which were made for the automobile companies—it is apparent that if one-half of the present 10 percent excise tax on automobiles is eliminated, and if we can be absolutely sure that the reduction will be passed on

to the consumers, then, based on past experience, a minimum of 250,000 more automobiles will be purchased.

Mr. President, the amount lost to the Treasury because of the tax reduction would be made up, in my opinion, in full measure. The sale of an additional 250,000 automobiles would not only mean that many persons would be reemployed in the automobile industry, but it would act as a shot in the arm to the steel, rubber, textile, glass, and other industries. It would go far toward the restoration of confidence if we could enable the American people to feel that they were getting a bargain, that any tax reduction would go entirely to them and not go to somebody else. We would have a restoration of confidence, and people would start buying. It would strongly contribute to ending the current recession.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield to my good colleague from Colorado.

Mr. CARROLL. It is very significant to the junior Senator from Colorado that almost all the members of the Antitrust and Monopoly Legislation Subcommittee of the Committee on the Judiciary are in favor of this type of proposal. Notwithstanding the fact that initially General Motors, Ford Motor Co., Chrysler Corp., and, yes, American Motors, were somewhat apprehensive as to the nature of the investigation, it is significant that, the subcommittee having devoted itself to an intensive investigation, the distinguished Senator from Tennessee has brought forth a constructive report of what can be done not to injure the giant corporations, but to help them and to stimulate their economy by a price reduction. According to my viewpoint, a sound philosophy is proposed by the amendment. We are not seeking so much to put purchasing power into the hands of people as we are to reduce prices so we can stimulate the selling of automobiles, and by so stimulating sales, to stimulate the entire manufacturing industry.

I think the able chairman of the subcommittee, the Senator from Tennessee, has made a substantial contribution, not only for the RECORD, but for the national economy in the event his proposal is agreed to. I say it is significant that industry and labor say they want and need this sort of relief.

There is another possible answer. The automobile industry itself could reduce prices. But it is not going to do so. Perhaps it is not able to do so. In any event, it is not going to reduce prices. Maybe this is one way Congress can act.

Mr. KEFAUVER. I thank the Senator for the very able contribution he has made to the discussion on the amendment. As he has pointed out, five out of seven members of the Antitrust and Monopoly Legislation Subcommittee are cosponsoring the amendment. As a result of the very intensive inquiry which the subcommittee has made into the automobile industry we think this is one way to increase automobile sales. This is an answer arrived at by five of the seven members of the subcommittee.

We cannot talk about this amendment simply in terms of the amount of revenue which will be lost to the Government of the United States. As go the production and sale of automobiles in the United States, so goes our economy. It is not possible to have full employment until the automobile industry starts moving ahead.

To get the automobile industry moving ahead, the purchaser must feel he is going to have a good buy, that the price is right, and that any tax reduction made will go to him and not be absorbed somewhere else along the line. My amendment will give purchasers this confidence.

The increase in income resulting from the step-up in automobile production which would result from my proposal should more than make up for the amount of tax loss.

Unless there is a Senator who wants to speak on the amendment, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CARROLL in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JOHNSON of Texas. Have the yeas and nays been ordered on the pending amendment?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. BUSH. Mr. President, I wish to oppose the amendment, and all amendments which have to do with cutting excise taxes on automobiles. In my opinion, one thing stands out at this stage in the so-called economic recession in which we find ourselves. That one thing is that the automobile industry has probably done more to create the recession than any other single industry. I think the excesses of high-pressure selling methods of the automobile industry more than anything else have brought about the recession which we have endured, and to an important extent still endure.

The automobile industry insisted on making cars too big, too fast, and too costly. The automobile industry has taken the price of the standard cars, even of the most moderately priced cars, generally speaking, out of the reach of the working men and women of the country. More than that, in order to sell the cars, the automobile industry has extended the terms of purchase to as long as 36 months. By so doing, the industry was able to sell more cars in 1955 and 1956.

What has been the result? The result has been simply that the industry borrowed sales from the future. The automobile industry simply borrowed the business of 1957 and 1958. Having robbed these years, in my considered judgment—and I have thought a great deal about this matter in the past year—the automobile industry has helped to bring about the recession we have today. I think it is quite clear the principal cause of the recession in the steel industry has been the recession in the automobile industry.

Mr. President, rather than this being the time for a tax cut, in the face of unprecedented peacetime deficits in our budget, it seems to me it is time for the automobile industry itself, instead of coming to the Congress with a plea for relief from excise taxes, to make a reappraisal of its own methods of sale and terms of sale, and to reappraise the public taste, the public fancy, and the public demand in connection with automobiles.

The automobile industry representatives have testified before committees of the Congress—and indeed, before the committee presided over by my good friend the Senator from Tennessee, if I am not mistaken—that they are only answering a public demand in connection with the gargantuan dinosaurs which constitute the modern automobile. This I believe is not so.

I believe the automobile industry has actually created a demand through high-pressure selling methods and high-pressure advertising methods which are available to them and to all manufacturers and merchandisers today. What is called for is not relief from the Government by way of a reduction in the excise tax, to cure a situation which the Government did not bring about in any way, but rather it is time for the automobile industry to turn its sights inward and to consider the factors I have suggested, namely, the type of car which the public wants, the type of sales method which should be used, and the terms on which automobiles should be sold.

Mr. President, I spoke of this matter 15 months ago, and I invited attention to the dangers we were facing in connection with the great, high-powered, high-priced automobiles which are now produced. I regret to say that the fears I expressed at that time have proved to have been well founded.

This is a case, Mr. President, which is as simple as the case of one who has overeaten. If one overeats, or eats to excess, there is a period, sometimes, of regurgitation, or at least difficult digestion. So far as automobiles are concerned we now find ourselves in such a period. The cure is not a reduction in the excise tax on automobiles, but a reappraisal by the automobile industry itself of the whole situation which the industry faces and in which it operates.

Mr. KEFAUVER. Mr. President, will the Senator yield for a question?

Mr. BUSH. I yield for a question.

Mr. KEFAUVER. Having listened to expert testimony for days and days about the size, weight, length, and "fancification" of automobiles, I agree with most of the things the Senator from Connecticut has said. There is no doubt that the automobile industry guessed wrong

as to what the public wanted. Perhaps the public changed its mind. The public did not want the "fancification"—the longer, the heavier, and more expensive automobiles.

I am not offering the amendment out of sympathy for the automobile companies. The industry guessed wrong and made a mistake of judgment, in my opinion. But we are faced with a problem. The industry has to commit its models at least 2 years before the time when the automobiles are put on the market. Unfortunately, in 1957, when automobiles were selling pretty well, the industry committed the models for 1959.

Mr. BUSH. Will the Senator permit me to ask a question?

Mr. KEFAUVER. Yes.

Mr. BUSH. Is the Senator telling us he believes it is necessary for us to have a new model in automobiles every year?

Mr. KEFAUVER. No, indeed. I think one of the mistakes the companies have made has been in not having a good model and staying with it for at least several years, perhaps with a new face occasionally. The changing of models costs General Motors $500 million a year, and this cost is passed on to the consumers. That is one reason why the prices have gone so high.

I do not offer the amendment out of sympathy for the automobile companies. The companies have guessed wrong. They have changed models too often. Their cars are too large, too fancy, and too high priced.

But what we must keep in mind is that even though the automobile industry may have made a mistake, that is water over the dam. We now have to try to get people back to work in the automobile industry and related industries.

Mr. BUSH. I certainly agree with the Senator about that aspect of the problem. It is important to get people back to work. However, I do not believe the Senator's plan for an excise-tax cut will accelerate the accomplishment of what is desired. The excess of automobiles has to be absorbed before the industry can really get back on the track.

I am glad the Senator brought out the point about the new models. I think that has been a fancification which has been very expensive, and, as the Senator has pointed out, has actually had the effect of increasing the cost of automobiles. The companies have to buy new presses and equipment every year to make the new models. Frankly, I do not think they have improved the models very much. In fact, I think they have done the opposite.

SEVERAL SENATORS. Vote! Vote! Vote!

The PRESIDING OFFICER (Mr. ALLOTT in the chair). The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. KEFAUVER] for himself and other Senators. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I further announce that if present and voting, the Senator Texas [Mr. YARBOROUGH] would vote "nay."

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business because of duty with the Air Force.

The Senator from Indiana [Mr. JENNER] is necessarily absent.

If present and voting, the Senator from Arizona [Mr. GOLDWATER] would vote "yea."

The result was announced—yeas 24, nays 66, as follows:

YEAS—24

Carroll	Kefauver	Murray
Clark	Kennedy	O'Mahoney
Douglas	Langer	Pastore
Hennings	Malone	Potter
Hill	Mansfield	Proxmire
Humphrey	McNamara	Smathers
Javits	Monroney	Sparkman
Johnston, S. C.	Morse	Symington

NAYS—66

Aiken	Eastland	Martin, Pa.
Allott	Ellender	McClellan
Anderson	Ervin	Morton
Barrett	Flanders	Mundt
Beall	Frear	Neuberger
Bennett	Fulbright	Payne
Bible	Green	Purtell
Bricker	Hayden	Revercomb
Bridges	Hickenlooper	Robertson
Bush	Hoblitzell	Russell
Butler	Holland	Saltonstall
Byrd	Hruska	Schoeppel
Capehart	Ives	Smith, Maine
Carlson	Johnson, Tex.	Smith, N. J.
Case, N. J.	Jordan	Stennis
Case, S. Dak.	Kerr	Talmadge
Church	Knowland	Thurmond
Cooper	Kuchel	Thye
Cotton	Lausche	Watkins
Curtis	Long	Wiley
Dirksen	Magnuson	Williams
Dworshak	Martin, Iowa	Young

NOT VOTING—6

Chavez	Gore	Jenner
Goldwater	Jackson	Yarborough

So Mr. KEFAUVER'S amendment was rejected.

Mr. BYRD. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. KNOWLAND. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SMATHERS. Mr. President, I call up my amendments which are designated 6–10–58–D.

The PRESIDING OFFICER. The amendments are lengthy. Does the Senator desire to have them read, or printed in the RECORD?

Mr. SMATHERS. I ask unanimous consent that they be printed in the RECORD.

The amendments offered by Mr. SMATHERS and ordered to be printed in the RECORD are as follows:

At the end of the bill insert the following new section:

"SEC. 4. Repeal of taxes on transportation.

"(a) Repeal: Subchapter C of chapter 33 of the Internal Revenue Code of 1954 (relating to taxes on transportation) is repealed.

"(b) Technical amendments:

"(1) The table of subchapters for chapter 33 of the Internal Revenue Code of 1954 is amended by striking out

" 'SUBCHAPTER C. Transportation.'

"(2) Section 4291 of such code (relating to cases where persons receiving payment must collect taxes) is amended by striking out 'Except as provided in section 4264 (a), every' and inserting in lieu thereof 'Every'.

"(3) Section 4292 of such Code (relating to State and local governmental exemption) is amended to read as follows:

" 'SEC. 4292. State and local governmental exemption.

" 'Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4251 upon any payment received for services or facilities furnished to the Government of any State, Territory of the United States, or any political subdivision of the foregoing or the District of Columbia.'

"(4) Section 4293 of such Code (relating to exemption for United States and possessions) is amended by striking out 'subchapters B and C' and inserting in lieu thereof 'subchapter B'.

"(5) Section 6103 (a) (2) of such Code (relating to publicity of returns) is amended by striking out 'subchapters B, C, and D of chapter 33' and inserting in lieu thereof 'subchapters B and D of chapter 33'.

"(6) Section 6415 of such Code (relating to credits or refunds to persons who collected certain taxes) is amended by striking out '4261, 4271,' each place it appears therein.

"(7) Section 6416 (a) of such code (relating to credits or refunds of certain taxes on sales and services) is amended by striking out 'or 4281'.

"(8) Section 6416 (b) (2) (L) of such code (relating to credits or refunds in the case of certain taxes on sales and services) is amended—

"(A) by striking out 'tax-exempt passenger fare revenue' and inserting in lieu thereof 'commutation fare revenue'; and

"(B) by striking out '(not including the tax imposed by section 4261, relating to the tax on transportation of persons)'.

"(9) Section 6421 (b) of such code (relating to gasoline used for certain nonhighway purposes or by local transit systems) is amended—

"(A) by striking out 'not including the tax imposed by section 4261 (relating to the tax on transportation of persons)' each place it appears therein, and

"(B) by striking out 'tax-exempt passenger fare revenue' and inserting in lieu thereof 'commutation fare revenue' each place it appears therein.

"(10) Section 6421 (d) (2) of such code defining tax-exempt passenger fare revenue) is amended to read as follows:

" '(2) Commutation fare revenue: The term "commutation fare revenue" means revenue attributable to the transportation of persons and attributable to—

" '(A) amounts paid for transportation which do not exceed 60 cents.

" '(B) amounts paid for commutation or season tickets for single trips of less than 30 miles, or

" '(C) amounts paid for commutation tickets for 1 month or less.'

"(11) Section 7012 of such code (cross references) is amended by striking out subsection (i) and by redesignating subsection (j) as subsection (i).

"(12) Section 7272 (b) of such code (relating to penalty for failure to register) is amended by striking out '4273,'.

"(c) Effective date: The repeals and amendments made by subsections (a) and (b) shall apply with respect to amounts paid on or after the first day of the first month which begins more than 10 days after the date of the enactment of this act for, or in connection with, transportation which begins on or after such first day."

Amend the title so as to read: "An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and to repeal the taxes on transportation of persons and property."

Mr. SMATHERS. Mr. President, while my name is the only one which appears on the amendments, nevertheless, I should like to make it clear that the amendments were originally sponsored by the 15 members of the Committee on Interstate and Foreign Commerce, and that one of those members supports it only in part, and that is the section which has to do with freight.

I present the amendments on behalf of myself and the chairman of the Committee on Interstate and Foreign Commerce, the Senator from Washington, [Mr. MAGNUSON], the Senator from Ohio [Mr. BRICKER], the Senator from Nevada [Mr. MALONE], the Senator from Missouri [Mr. HENNINGS], the Senator from Minnesota [Mr. THYE], the Senator from Rhode Island [Mr. PASTORE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Nevada [Mr. BIBLE], the Senator from South Carolina [Mr. THURMOND], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Texas [Mr. YARBOROUGH], the Senator from Kansas [Mr. SCHOEPPEL], the Senator from Maryland [Mr. BUTLER], the Senator from Michigan [Mr. POTTER], the Senator from Maine [Mr. PAYNE], the Senator from Montana [Mr. MANSFIELD], the Senator from Maryland [Mr. BEALL], the Senator from Montana [Mr. MURRAY], the junior Senator from Oregon [Mr. NEUBERGER], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Alabama [Mr. HILL], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Washington [Mr. JACKSON], the Senator from Alabama [Mr. SPARKMAN], the Senator from Colorado [Mr. CARROLL], the Senator from Wyoming [Mr. BARRETT], the Senator from Missouri [Mr. SYMINGTON], the Senator from Indiana [Mr. JENNER], the Senator from New Jersey [Mr. SMITH], the Senator from Georgia [Mr. TALMADGE], the Senator from Maine [Mrs. SMITH], the Senator from Connecticut [Mr. PURTELL], the Senator from New Hampshire [Mr. COTTON] and the senior Senator from Oregon [Mr. MORSE].

Mr. JOHNSON of Texas. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I am happy to yield.

Mr. JOHNSON of Texas. Mr. President, if I may have the attention of the Senate, I should like to propose a unanimous-consent agreement that the Senate vote on the Smathers amendments at 6:15 o'clock this evening, with the time to be equally divided between the Senator from Florida and the majority leader, since the majority leader is opposed to the amendment.

The unanimous-consent agreement is proposed on behalf of the minority leader and myself. It is acceptable to the chairman of the Committee on Finance and the author of the amendments, the Senator from Florida [Mr. SMATHERS].

The PRESIDING OFFICER. Is there objection?

Mr. POTTER. Does the proposed unanimous-consent agreement apply only to the Smathers amendments?

Mr. JOHNSON of Texas. That is correct.

Mr. RUSSELL. Mr. President, reserving the right to object—and I hope I shall not be compelled to object—I desire to ask, at some stage of the proceedings, for a division of the question, under rule XVIII. I wish to have the question divided, because if it is divided, I intend to support the repeal of the tax on freight and to vote against the repeal of the tax on passenger transportation. The amendments contain a great many technical provisions, and I do not know whether it is capable of division without the offering of an amendment.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). The Parliamentarian informs the Chair that a motion to divide is in order.

Mr. RUSSELL. It is not a question of a motion being in order. I have the right to request a division if the question is capable of division. I desire to have the question divided, and I wish to have at least 3 minutes to explain why I request that the question be divided.

Mr. SMATHERS. Does the Senator from Georgia desire to speak now, or at some time during the debate?

Mr. RUSSELL. I am perfectly willing to speak under the unanimous-consent agreement, if I can be assured that the question will be divided.

Mr. SMATHERS. Mr. President, I should like to ask the majority leader and the minority leader to amend the proposed unanimous-consent agreement in the light of the division that we will have on the question, and that an additional half-hour be provided, in view of the debate we will have on the second part of the question.

Mr. RUSSELL. I am not asking for additional time. I want to be sure of having 3 minutes to speak on my reason for requesting that the question be divided.

Mr. JOHNSON of Texas. There will be ample time provided for debate, and there will be time that can be yielded to the Senator from Georgia.

Mr. MAGNUSON. The suggestion of the Senator from Georgia raises a question affecting the matter of time. Some Senators are against the passenger tax feature, and probably are in favor of the freight tax feature, and that will take a little time to debate. I believe an additional half hour of debate would be satisfactory.

Mr. JOHNSON of Texas. That is agreeable to me.

Mr. BENNETT. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. BENNETT. I should like to address a question to the majority leader. After the vote has been had on the Smathers amendments under the unanimous-consent agreement, is it the intention of the majority leader that the Senate should try to dispose of the bill this evening?

Mr. JOHNSON of Texas. No; I do not expect to have any more yea and nay votes this evening.

Mr. BENNETT. I thank the Senator. I do not object.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. CAPEHART. Does that mean that we will not dispose of the bill this evening?

Mr. JOHNSON of Texas. I do not believe in any event that we can dispose of the bill this evening. I am informed that there will be more discussion on the bill. I should like to get along with the discussion of the bill as far as it is possible to do so. I have discussed the matter with the Senator from Virginia, and he said he did not believe he would use all the time allotted to him. I have made allowances to cover all Senators who wish to speak on the amendment. I do not believe we can finish consideration of the bill this evening in any event, but we hope to get an agreement to limit debate on the Smathers amendments.

Mr. President, in accordance with the suggestion made, I modify my unanimous-consent agreement to provide, instead of voting at 6:15 p. m. this evening, that the vote be taken at 6:30 this evening.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the agreement is entered.

Mr. SMATHERS. Mr. President, on this amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. RUSSELL. Mr. President, on this issue I have requested a division of the amendment. I should like to know how a yea and nay vote will apply to the two sections.

The PRESIDING OFFICER. The Chair is informed that on the division of the amendment, the yea and nay vote will apply to both parts of the amendment.

Mr. RUSSELL. Mr. President, I ask unanimous consent that the first vote be taken on the question of the tax on the freight rate.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I said 6:30; I intended to say 6:45.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. KNOWLAND. In the event all time is not used on the amendment, did the Senator from Texas have in mind voting at 6:45, or whether it would be possible that time might be yielded back and the vote taken earlier than 6:45?

Mr. JOHNSON of Texas. In the event that time should be yielded back, the Senate might vote earlier.

Mr. KNOWLAND. I thought all Senators might be on notice that a vote might be taken earlier than 6:45, in the event all time on the amendment was not used.

Mr. SMATHERS. Mr. President, have the yeas and nays been ordered?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. SMATHERS. I yield myself 7 minutes.

Mr. President, I wish to explain why I think Senators may in good conscience and with responsibility vote for this amendment, even if they did not see fit to vote for any other amendment. This amendment is different because it seeks to repeal the excise tax on transportation. That excise tax applies to everything. The excise tax on jewelry applies only to jewelry. The excise tax on television sets applies only to television sets. The excise tax on spirits applies only to spirits. But the transportation tax applies to everything. It applies even to commodities on which excise taxes are imposed.

So, in effect, the excise tax on freight transportation is a form of double taxation. Not only is there an excise tax on the specific article; there is also a transportation excise tax for the shipment of the article. Not only does the freight-transportation tax apply to the luxury items on which there is already an excise tax imposed, but the freight-transportation excise tax applies to the basic items. It applies to cement. It applies to steel. It applies to lumber. It applies to all the basic commodities which are essential for the functioning of our economy. Every time a house is built, the lumber, the steel, the nails, and the other articles which are used in the construction of a house have excise taxes included in their cost.

Not only does the 3-percent excise tax on freight transportation apply to the basic items; it applies also to the necessities of life. It is the one tax which is imposed on everything which people use. It applies even to the necessary items of food, clothing, and medicine. It applies to the items which children need. All the articles necessary in their lives bear excise taxes.

The very medicine which is used in hospitals to treat the sick must bear an excise tax when it is shipped over the systems of common carriers. The food which everyone must eat, if it is shipped or transported by common carrier, as is ordinarily the case, carries with it an excise tax.

So I submit that the excise tax on freight transportation is a different tax, in that it extends to all forms of common-carrier transportation. It thereby touches everybody and everything. That is what distinguishes it at the outset from all the other excise taxes.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. RUSSELL. If the Senator from Florida will permit me to associate myself with the remarks he has just made, it will eliminate the necessity for me to address myself to this subject. This tax is levied on every man, woman, and child in the United States. It is levied on every article which they use in their daily lives, in addition to being levied on the heavier materials to which the Senator has referred.

That is bad enough. But another vicious element is that the tax is pyramided time and again and discriminates most heavily against those who are farther removed from the great manufacturing areas of the Nation. This is the one excise tax which the taxpayer in no wise can control. He must pay it if he expects to exist. He pays it many times. He pays the 3 percent levy on the shipment of the raw material; he pays the 3 percent which is levied when the finished product is shipped back to the wholesaler. He pays the 3 percent which is imposed when the article is shipped to the retail store for distribution. In some cases, the tax is pyramided even more than that.

This tax occupies a different relationship from that of the other excise taxes. A man can refuse to buy an automobile, and not pay the tax. He can refuse to board an airplane, a bus, or a railroad passenger train and not pay the tax. That is the reason I wanted the amendment divided. I regard this tax as being economically unsound and as discriminating against some sections of the country. It is practically beyond the ability of any person to avoid it. One cannot place a limitation on it, as in the case of the income tax. One cannot escape it in any way. It matters not how poor a person may be; he must pay it; and the poorer he is, the more he pays. This is a tax which multiplies itself.

For this reason, I feel that I can justify my vote to reduce the excise tax on transportation of goods at this time. This is the only reduction I propose to support in any manner, shape, form, or fashion.

Mr. SMATHERS. I am grateful to the able Senator from Georgia. I know his statement will give encouragement to other Senators who have similar views, who do not wish to support any other reduction, but want to support this one, because it is one which stands on its own feet, as compared with other excise taxes.

Mr. CHURCH. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. CHURCH. I, too, associate myself with the remarks made by the able Senator from Georgia and the distinguished Senator from Florida. I very much oppose this excise tax. I join with them in pointing up the fact that this is not a tax against any particular business, it is not a tax against any particular commodity, but it is a tax in a real sense upon the whole economy.

Is it not true that when this tax was originally imposed, it was not imposed primarily for the purpose of raising revenue, but rather was imposed as a wartime measure, for the purpose of discouraging too much use of the railroad facilities, both with respect to passengers and freight?

Mr. SMATHERS. Yes, that was true, but not only with respect to railroads. I think it should be pointed out, so that it will be well understood by everyone, that the removal of the transportation excise tax would not be relief simply to the railroads. As a matter of fact, the railroads, like the truckers, do not get any of this money for themselves. The amendment would remove the excise tax on rail transportation, motor transport, and air transportation, so far as the transportation of goods is concerned. It would not apply to the transportation of passengers.

Mr. CHURCH. The tax itself is a percentage tax upon the freight rate, is it not?

Mr. SMATHERS. The Senator is correct.

Mr. CHURCH. So the distance which the goods in question must travel has a direct effect upon the amount of the tax. On goods which are transported a comparatively short distance a smaller tax is paid than on goods which are transported a comparatively large distance. The result is that the States which lie on the periphery of the economy, at a greater distance from the center of industry or the center of population or the center of our economic market, are discriminated against.

The PRESIDING OFFICER. The time of the Senator from Florida has expired.

Mr. SMATHERS. I yield myself another 5 minutes.

Mr. CHURCH. They are unfairly discriminated against, in that the tax burden upon the economy of those States is heavier than it is upon the economy of the States more centrally located, near the markets of the country.

Mr. SMATHERS. The Senator is absolutely correct. A larger tax is imposed on goods which are shipped to States which are far distant from the centers of population and the centers of production. It is a penalty tax on them.

Mr. CHURCH. That is the reason why in a State such as Idaho so many persons—farmers and businessmen from all areas of the State—are so anxious to see this tax repealed. So I am proud to join the distinguished Senator from Florida in sponsoring the amendment. I congratulate him on his leadership in this matter.

With his indulgence, I should like to ask unanimous consent to have printed at this point in the RECORD some of the many telegrams and letters in support of the repeal of this tax that I have received from Idaho.

Mr. SMATHERS. Mr. President, I shall be glad to have that done.

The PRESIDING OFFICER. Is there objection?

There being no objection, the telegrams and letters were ordered to be printed in the RECORD, as follows:

LEWISTON CHAMBER OF COMMERCE,
Lewiston, Idaho, June 10, 1958.

Senator FRANK CHURCH,
State of Idaho,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CHURCH: The board of directors of the Lewiston Chamber of Commerce, at its regular meeting at 12 noon, on June 9, 1958, again went on record as being opposed to a continuation of temporary excise taxes placed on freight and passenger service.

In the opinion of this board, such taxes are not only unfair in their application but are also unfair to this part of the United States, because of the long distances to centers of population; and hence, to markets. These taxes actually operate in the restraint of trade.

Your strong support in the elimination of these taxes, on both freight and passenger service, will be greatly appreciated.

Sincerely,

TED DUFOUR,
President, Lewiston Chamber of Commerce.

Attest: This action approved by Board of Directors of the Lewiston Chamber of Commerce at its regular meeting on June 9, 1958; and so recorded in the minutes of that meeting.

J. HARRY HUGHES,
Managing Secretary,
Lewiston Chamber of Commerce.

EMMETT, IDAHO, *June 18, 1958.*
The Honorable FRANK CHURCH,
Washington, D. C.:

I urge you to vote in support of Senator SMATHERS' amendment to H. R. 12695 opposing continuance of the excise taxes on transportation.

GEM CANNING CO.
IRA C. JONES, *President.*

CALDWELL, IDAHO, *June 18, 1958.*
Senator FRANK CHURCH,
Senate Office Building,
Washington, D. C.:

We understand Senator SMATHERS is offering an amendment to H. R. 12695 providing for repeal of excise taxes on transportation. We respectfully urge you to support this amendment.

C. M. CARLSON,
Dairymens Cooperative Creamery of Boise Valley, Caldwell, Idaho.

POCATELLO, IDAHO, *June 17, 1958.*
Senator FRANK CHURCH,
United States Senator,
Senate Office Building,
Washington, D. C.:

Respectfully urge you support amendment to H. R. 12695 that would terminate the Federal transportation tax. Termination antiquated transportation tax considered most important to Idaho agriculture.

L. B. MARTIN,
President, Idaho Farm Bureau Federation.

BOISE, IDAHO, *June 16, 1958.*
Senator F. C. CHURCH.

DEAR MR. CHURCH: Please support amendment of H. R. 12695.

My job and many other Railway Express employees depend on your vote.

Yours truly,

TONY BIENOPFL.

BOISE, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

DEAR SENATOR: Am writing you again asking you to support amendment to H. R. 12695.

Very truly yours,

EARLE M. EVANS.

BOISE, IDAHO, *June 16, 1958.*
Senator F. CHURCH.

DEAR FRANK: In regard to H. R. 12695, I am writing you again asking your support of amendment of H. R. 12695.

As I said before, I am depending on you.

Yours truly,

F. G. KINEB.

BOISE, IDAHO, *June 16, 1958.*
Hon. Senator FRANK CHURCH,
House Office Building,
Washington, D. C.

Amendment to H. R. 12695, Transportation tax.

DEAR SENATOR CHURCH: I personally feel that this amendment should carry thus relieving practically every adult of a certain tax and which should have been eliminated a good many years ago; also make for less accounting on the part of all carriers.

I trust that you can see your way clear to support said amendment.

Very respectfully yours,

J. W. MARTIN.

BOISE, IDAHO, *June 16, 1958.*
Senator F. C. CHURCH.

DEAR MR. CHURCH: An amendment to H. R. 12695 will be before you in the near future. Hope you see your way clear to support this bill as a measure to give the railroads a much needed lift.

Yours truly,

E. E. PIERCE,
Railway Express Agency, Boise Idaho.

BOISE, IDAHO, *June 16, 1958.*
Senator F. C. CHURCH.

DEAR MR. CHURCH: Please support amendment of H. R. 12695.

Our jobs depend on your vote.

Yours truly,

JAMES B. PETERSON.
MERIDIAN, IDAHO.

BOISE, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Please support amendment H. R. 12695 for passage.

Yours truly,

DAN SMITH.

BOISE, IDAHO, *June 15, 1958.*
Hon. FRANK CHURCH,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: As I am a member of the railroad industry, I sincerely hope that you will vote in favor of the amendment to bill H. R. 12695.

Yours truly,

WEBB W. SMITH.

AMERICAN NATIONAL
CATTLEMEN'S ASSOCIATION,
Denver, Colo., June 14, 1958.

REPEAL TRANSPORTATION TAXES

DEAR SENATOR: It is our understanding that an amendment to repeal the wartime-imposed transportation taxes may be voted on in the Senate Tuesday.

We urge you to support this effort to remove this burdensome tax on industry and commerce.

RADFORD HALL,
Executive Secretary.

BOISE, IDAHO, *June 18, 1958.*
Hon. Senator CHURCH,
Washington, D. C.:

Urge you vote in opposition to continuance of excise tax on transportation.

MOWBRAY DAVIDSON,
Peasley Transfer & Storage Co.

IDAHO FALLS, IDAHO, *June 18, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

JACK NEWMAN.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

IDAHO LIVESTOCK AUCTION.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

L. C. LIVESTOCK CO.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

ED UHLIG.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

R & H FEEDING CO.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

STANLEY SPENCER.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

BEN SPELTS.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

WESTERN LIVESTOCK TRANSPORTATION CO.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

HENRY JONES.

IDAHO FALLS, IDAHO, *June 16, 1958.*
Senator FRANK CHURCH,
Washington, D. C.:

Urge you please use every effort to pass H. R. 12695, repeal excise tax on transportation.

FLOYD SKELTON.

SHOSHONE, IDAHO, *June 15, 1958.*
Hon. FRANK CHURCH,
United States Senator,
Washington, D. C.

DEAR SENATOR: Please support the amendment to H. R. 12695, which provides for the repeal of transportation excise taxes.

Very truly yours,

C. E. BATE.

SHOSHONE, IDAHO, *June 15, 1958.*
Hon. FRANK CHURCH,
United States Senator,
Washington, D. C.

DEAR SENATOR: Please support the amendment to H. R. 12695, which provides for the repeal of transportation excise taxes.

Very truly yours,

M. F. GEHRIG.

Mr. MONRONEY. Mr. President, will the Senator from Florida yield to me?

Mr. SMATHERS. I yield.

Mr. MONRONEY. I should like to join the Senator from Florida in the statement he has made in regard to the pyramiding effect of this tax in the case of both distance and rate.

I wish to say that the tax also has a pyramiding effect in terms of distribution. In other words, if the tax on a particular shipment is $3, and if there is a 50-percent markup—which is customary in most lines of activity—then the 3 percent tax, or $3, becomes a $4.50 tax, and thus the tax goes on up.

So there is a pyramiding effect, not only as to distance, but also as to every other part of the distribution system through which the shipment passes, because the selling price is the delivered price plus the markup.

Mr. SMATHERS. I thank the Senator from Oklahoma. He is absolutely correct.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Florida yield; and if so, to whom?

Mr. SMATHERS. I yield first to the Senator from Kansas [Mr. SCHOEPPEL], the senior member of our Transportation Subcommittee.

Mr. SCHOEPPEL. I thank the Senator from Florida.

Mr. President, let me say to the Senator from Florida, who has labored so hard on this matter, and I make this statement as a cosponsor, with him, of this amendment, as well as other important pieces of proposed legislation, that I wish to associate myself with the statement he has made, and also with the statement which has been made by the distinguished senior Senator from Georgia [Mr. RUSSELL].

As the Senator has pointed out in his brief remarks, which have been much to the point, I believe some of the most important facts which have been compelling as regards the position which has been taken by those of us who serve on the committee, were brought forth in the course of the testimony taken during the hearings. Is it not true that the 3-percent transportation tax is the one tax which every person who testified before the committee stressed should be removed because of its pyramiding effect and because of the fact that its removal would have the greatest overall benefit, in these critical times, on the transportation industry?

Mr. SMATHERS. The Senator from Kansas is entirely correct.

At the hearings we heard from approximately 150 witnesses. Even though they hardly agreed on anything else, they all agreed that this particular tax not only is blighting the entire transportation industry, but also—in view of the fact that the transportation industry is almost as important to the Nation's economy as arteries and veins are important to our own bodies—is casting a blight over the entire national economy; and every one of the witnesses favored the removal of this tax.

Mr. SCHOEPPEL. I thank the Senator from Florida.

Let me say that I hope the Senate will agree to the amendment.

Mr. ALLOTT. Mr. President, will the Senator from Florida yield to me?

Mr. SMATHERS. I yield.

Mr. ALLOTT. I thank the Senator for his courtesy in yielding.

Mr. President, I wish to support very strongly the position the Senator from Florida has taken.

We in the West have a peculiar problem, for in the West the transportation tax is paid many times over on the same article—for instance, when an article is transported from the producer to the processor, and then to the market, and then to the retailers. In that respect, I believe this tax is a most burdensome one.

I should like to ask unanimous consent, if I may, to have printed at this point in the RECORD a statement I have prepared on this matter.

Mr. SMATHERS. Certainly.

The PRESIDING OFFICER. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR ALLOTT ON THE TRANSPORTATION TAX

A great deal has been said on the effects of the transportation tax, but I would like to add my comments with particular reference as to how it affects us in the West.

I have heard from a great number of people in Colorado, representing virtually all of our important industries. Those connected with our railroads; our farmers, miners, manufacturers, distributors, and retailers have been unanimous in asking for repeal of this wartime tax. Perhaps even more significant has been the number of people with no special interest who believe that elimination of this tax is most important. In Colorado, as in the rest of the Nation, the difficult situation of the railroads makes repeal of this tax imperative if our railroads are again to become a healthy part of our economy. This has been much emphasized here, particularly in the excellent work done by Senator SMATHERS and his subcommittee.

No less important to consider is a similar effect upon the other common carriers—particularly trucking companies. They have watched helplessly as manufacturers and large distributors built up their own fleets of trucks to haul their own products and goods. The margin of difference in cost to the manufacturer or distributor in delivering the goods often is represented purely and simply by the transportation tax. The tax, then, has become a means of Government discrimination against common carriers.

The problem is no less critical for our air carriers, although their problem is basically one of the tax upon passenger fares.

It is interesting to note that this cut in the passenger tax, whether collected for air or ground travel, will be passed on completely to the consumer with a resulting stimulus to the economy. It will not amount to much, in terms of billions of dollars which we discuss these days. But the receipts of the 10-percent passenger tax in fiscal 1957 were $222 million, most of which would go into consumer spending and to various tax channels. That will create no small ripple in our economy and tend to cancel any impact upon the Federal Treasury. The impression will be heightened, too, by the addition to the economy and the Treasury of a share of the $468 million in 1957 revenues from the 3-percent freight tax.

We in the West find this transportation tax a special burden. In our wide-open spaces, we have greater distances between producers and mills, between markets and the heavily populated consumer centers. When Colorado products are shipped to the East, we face a special problem of competition in the added transportation tax. The products of our farms and ranches, our western forests and mines are subject to a severe tax discrimination as they move toward eastern markets. In many cases, the tax as a percentage of fares is collected over and over again—each time adding to producer and consumer costs—as the product is moved from grower to storage, from storage to market, and from there to retailer or consumer.

I shall vote for repeal of this nuisance tax and hope that we shall see action in the House on this matter shortly so that our transportation industries, our producers in the West, and our shippers can operate under more equitable conditions.

Mr. BARRETT. Mr. President, will the Senator from Florida yield to me?

Mr. SMATHERS. I yield.

Mr. BARRETT. I thank the Senator from Florida for yielding.

At the outset, let me thank the distinguished Senator from Florida for his leadership in connection with this matter. I am very pleased to join him in sponsoring this amendment.

I may say that I consider this recommendation from the Committee on Interstate and Foreign Commerce to be the most important of all items included in the proposed legislation which was brought out last week.

I realize that the railroads are in a very difficult and bad situation. This amendment will have a beneficial effect, not only on the railroads, but also on the trucking industry.

I should like to call the attention of the Senator from Florida to the fact that, as a result of this tax, the people of the West are discriminated against, whereas it seems to me that all taxes should be imposed on a uniform basis, against all our people alike. However, this tax operates to the decided disadvantage of the people of the Western States. If people who live in the West are obliged to attend conventions in Chicago, New York, or Washington, they are required to pay an exceedingly large tax, as compared with the tax which must be paid by people who live in or near the large population centers of the East.

Furthermore, inasmuch as the sugar beets which are raised and processed in my State have to be shipped to the Eastern States—at least as far as Illinois—to be sold, this tax places a tremendous burden on the sugar-beet industry.

Of course, Wyoming is greatly interested in the tourist trade in the summertime. It is one of the largest sources of income for our State. But under present circumstances, many persons who live in the East are inclined to travel in Canada or in Europe, in view of the transportation tax which applies to the transportation of persons in the United

States. Therefore, the American railroads are discriminated against, because people can travel from the east coast to the west coast on the Canadian lines, and thus can avoid the transportation tax.

So, Mr. President, I believe it is time for Congress to act on this matter; and I hope the Senate will agree to the amendment which has been offered by the distinguished Senator from Florida.

Mr. SMATHERS. I thank the Senator from Wyoming.

Mr. BIBLE. Mr. President, will the Senator from Florida yield to me for a question?

Mr. SMATHERS. I am happy to yield to the Senator from Nevada, who is a member of our committee.

Mr. BIBLE. First, Mr. President, I wish to associate myself with the remarks which have been made by the distinguished Senator from Florida [Mr. SMATHERS]. I agree wholeheartedly with him. I believe he has shown able leadership in this field.

I sincerely trust that not only the transportation tax on freight shipments will be removed, but also that the tax on the transportation of passengers will be removed.

I know of few problems which have arisen in my State of Nevada concerning which there has been such absolute unanimity of opinion among the entire transportation industry, as well as among the citizens of the State generally. All of them favor the removal of this iniquitous tax.

Our State legislature saw fit to adopt a resolution memorializing the Congress to remove this tax. The same position was taken by citizens in all walks of life.

I should like to invite the attention of the Senator to one facet of this problem which was brought to our attention during the hearings held by the Select Committee on Small Business. In city after city throughout the Nation, where we took testimony from small-business men on their problems, almost without exception each of them stated that the removal of these discriminatory taxes would be a step of very great assistance to small business.

My attention has also been called to the fact that in the State of California, a large manufacturing company has just outfitted itself with approximately 300 trucks; it is actually going into the transportation business itself, in order to avoid this tax.

The PRESIDING OFFICER. The additional time the Senator from Florida has yielded to himself has expired.

Mr. SMATHERS. Mr. President, I yield myself an additional 2 minutes.

The PRESIDING OFFICER. The Senator from Florida is recognized for an additional 2 minutes.

Mr. SMATHERS. I yield further to the Senator from Nevada.

Mr. BIBLE. So this tax becomes an increasingly heavy burden and an increasingly large handicap on small business, for the simple reason that small-business men cannot obtain large fleets of trucks, as the chainstores and other large companies are able to do, and are actually doing, throughout the length and breadth of the land.

So, Mr. President, I wish to associate myself with the remarks which have been made by the distinguished Senator from Florida.

I hope the amendment, in regard to both phases of transportation, will be adopted.

Mr. SMATHERS. I thank the able Senator from Nevada.

Mr. President, may I ask how much time I have remaining?

The PRESIDING OFFICER. The Senator from Florida has 22 minutes left on the first part of the amendment.

Mr. THYE. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the Senator from Minnesota.

Mr. THYE. I appreciate the distinguished Senator's yielding to me.

Mr. President, I wish to associate myself with the remarks of the Senator from Florida on this amendment. I shall give my reasons why I do so. First, the excise tax was imposed as a restrictive measure on travel and transportation during the war years. The war has now long since been over. For that reason the tax should be removed, because it has served its purpose.

So long as this tax remains on the transportation of both goods and persons, it is an extreme measure. It works a very great hardship on railroads and trucking organizations. It works a hardship on the person who wants to use the transportation.

Second, it is an expensive burden on those of us in the Midwest whose costs are added to when we have a great many products come into or shipped out of our States. In the State of Minnesota a tremendous volume of dairy products is manufactured and shipped out of the State. Every producer in the State is paying an excessive cost of transportation on all the commodities and products which are shipped out of the State. It is an improper tax imposed on users of the transportation systems.

Therefore, I shall vote for the amendment, because the tax should be taken off our transportation system.

Mr. SMATHERS. I thank the able Senator from Minnesota.

Mr. President, how much time do I have left now?

The PRESIDING OFFICER. The Senator from Florida has 18 minutes left.

Mr. BRICKER. Mr. President, will the Senator from Florida yield 5 minutes to me?

Mr. SMATHERS. I am glad to yield 5 minutes to the able Senator from Ohio.

Mr. BRICKER. I rise in support of the amendment. I listened to a great deal of the testimony which was presented in committee. As has been so well stated, not one of the witnesses was in favor of the continuance of this tax, which is a cumulative and repressive tax. It was imposed for the purpose of holding down transportation of goods and passengers in wartime. The result has been a continuance of the tax from the time there was a need for it until the present time. It is now a tax which is doing great damage to the transportation system of the country and bearing unfairly upon shippers all over the United States.

Mr. President, I hold in my hand a report known as the Jelsma report, which was produced by the Director of the Bureau of Transport Economics and Statistics, Interstate Commerce Commission, which shows that the repeal of this tax will, in his judgment, result in a $24 million loss only. If the Government were to lose the total amount of money which is collected each year from the taxes, it would not be as much as the amount of money the Senate authorized a short time ago to be loaned, or guaranteed to the railroads in the way of loans, to keep them functioning.

We are dealing with an essential, basic, and necessary industry in our country. If we are to continue to travel the road we have traveled in the past, that industry is in trouble. It is being hurt. This is the quickest, best, and soundest way the Congress could possibly be helpful to it.

As I have stated, these taxes are cumulative and repressive. They are cumulative because each segment of the transportation deals separately with a product, even though it may be processed or manufactured in one place. Therefore, the 3 percent tax may become a 6 percent or a 12 percent tax, according to the number of times the product changes hands and is shipped, either by rail or by truck.

That particularly makes the tax discriminatory as against the agricultural sections of our country and as against shippers who have to ship their agricultural products a greater distance to be processed and reprocessed before they get to the ultimate consumer.

We have heard time and time again the complaint made as to why there should be such a great spread between what the producer gets for his product on the farm and what the consumer pays. A great deal of that spread is the result of the 3-percent tax now levied which is in fact a war tax.

The tax is not only discriminatory in that respect, but it is likewise discriminatory as against certain sections of the country that are farther removed either from the producing sections or the manufacturing sections. As a result, higher prices have to be paid in the faraway sections of the country than otherwise have to be paid by those who are located nearer the production centers, agricultural or industrial.

As a result of the repressive effects of the tax, as a result of the discriminatory effects of the tax, as a result of the fact that the tax long since has fulfilled its purpose and should have been repealed many, many years ago, I wish to call attention to some of the supporters of this amendment:

Air-Conditioning and Refrigeration Institute.

American Association of Nurserymen, Inc.

American Farm Bureau Federation.

American Hotel Association.

American Retail Coal Association.

American Society of Travel Agents, Inc.

Associated Travel Clubs of America.

Athletic Goods Manufacturers Association.

Atlanta Freight Bureau.

All the railroad brotherhoods.

The California Manufacturers Association—emphasizing the fact that those in the Far West are discriminated against.

Chamber of Commerce of the United States.

Cleveland Chamber of Commerce—from my own State.

International Apple Association, Inc.

Manufacturing Chemists Association.

National Association of Motor Bus Operators.

National Association of Railroad and Utilities Commissioners.

National Coal Association.

The PRESIDING OFFICER. The time of the Senator from Ohio has expired.

Mr. BRICKER. Mr. President, I ask unanimous consent that the entire list from which I have just been reading be printed as a part of my remarks at this point in the RECORD, and likewise that the first three pages of the Jelsma report from the Interstate Commerce Commission be printed as a part of my remarks.

There being no objection, the list and excerpt from the report were ordered to be printed in the RECORD, as follows:

Among the organizations advocating repeal of excise taxes on the transportation of passengers and/or property are the following:

Air-Conditioning and Refrigeration Institute; Air Transport Association of America; American Association of Nurserymen, Inc.; American Automobile Association; American Farm Bureau Federation; American Hotel Association; American Merchant Marine Institute, Inc.; American Retail Coal Association; American Short Line Railroad Association; American Society of Travel Agents, Inc.; American Transit Association; American Trucking Associations, Inc.; American Veneer Package Association, Inc.; American Waterway Operators, Inc.; Associated Cooperage Industries of America, Inc.; Associated Equipment Distributors; Associated Traffic Clubs of America; Association of American Railroads; Association of American Ship Owners; Athletic Goods Manufacturers Association; Atlanta Freight Bureau; Brotherhood of Locomotive Engineers; Brotherhood of Locomotive Firemen and Enginemen; Brotherhood of Sleeping Car Porters; Brotherhood of Railroad Trainmen; Brotherhood Railway Carmen of America; California Manufacturers Association; California State Chamber of Commerce; Casket Manufacturers Association of America; Chamber of Commerce of Kankakee, Ill.; Chamber of Commerce of Kansas City; Chamber of Commerce of the United States; Cleveland Chamber of Commerce; Committee of American Steamship Lines; Committee for Oil Pipe Lines; Compressed Gas Association, Inc.; Copper and Brass Research Association; Corn Industries Research Foundation; Federation for Railway Progress; Freight Forwarders Institute; Hotel Greeters of America; International Apple Association, Inc.; Los Angeles Chamber of Commerce.

Manufacturing Chemists' Association; Millers' National Federation; Mississippi Valley Association; Monument Builders of America, Inc.; National-American Wholesale Lumber Association; National Association of Motor Bus Operators; National Association of Railroad and Utilities Commissioners; National Association of Shippers Advisory Boards; National Association of Travel Organizations; National Aviation Trades Association; National Basketball Association; National Bus Traffic Association, Inc.; National Coal Association; National Conference for Repeal of Taxes on Transportation; National Council of Farmer Cooperatives; National Ferryboat Operators Association; National Fisheries Institute, Inc.; National Grange; National Industrial Traffic League; National Live Stock Producers Association; National Metal Awning Association, National Milk Producers Federation; National Stationery and Office Equipment Association; National Tank Truck Carriers, Inc.; Ohio State Industrial Traffic League; Order of Railroad Telegraphers; Order of Railway Conductors and Brakemen; Pacific American Steamship Association; Portland Freight Traffic Association; Port of Boston Authority; Railway Progress Institute; Railway Labor Executives' Association; Savannah Chamber of Commerce; Seattle Chamber of Commerce; Society of American Florists; Stockton Chamber of Commerce; Traffic Bureau of Sioux Falls; United Fresh Fruit and Vegetable Association; West Coast Lumberman's Association, and Transportation Association of America.

Obviously there are many causes for these passenger deficits, which cannot be thoroughly explored here. Included in the figures are deficits from head-end operations such as express, baggage, and mail. Too, the figures are based on an allocation of certain costs as between passengers and freight. However, it has been estimated that that part of the deficit for 1951 which could be directly attributed to passenger train traffic was $281 million (based on 85 percent of passenger operating expenses, rents, taxes, and passenger portion of nonrevenue freight expense).

Yet a 10-percent passenger tax continues to penalize this depressed industry.

The Treasury Department stated in December, 1947:

"The prewar history of railroad rates indicates that coach travel is rather sensitive to changes in passenger fares. Accordingly, under normal conditions, the profits of railroads may be affected substantially by the existence of the tax. Because of large fixed costs a small decrease in passenger revenue can have an important effect on profits from passenger operations."

Continuation of the transportation taxes is harmful to travelers, shippers, carriers, and the welfare of the American people. Their repeal is essential for the best interests of commerce and national defense and to encourage and preserve private enterprise in the for-hire transportation field.

TWENTY-FOUR MILLION DOLLARS INCREASED REVENUE THROUGH TAX REPEAL

The 1958 budget shows total Federal receipts from the public, of $77 billion, including receipts from the excise tax on the transportation of property paid by shippers, which are shown to be $450 million, but, the budget does not explain that this tax, as a business expense, directly reduces the income tax paid to the United States Government by the same shippers, so that the United States Treasury only receives $247.5 million, nor does the budget point out, as the Interstate Commerce Commission does, that the tax destroys its own base, in favor of high-cost, low-efficiency, tax-free, private hauling, so that the real income of the United States Government is a loss. Loss to United States Government, $24 million.

Increased revenue through tax repeal

Receipts from the excise tax on transportation of property (1956)	$450,000,000
Reduction in income-tax receipts	$202,500,000
Net receipts	$247,500,000
Total private untaxed highway transportation as estimated by the Bureau of Public Roads at cost of the service	$4,308,000,000
Railroads alone would recapture at least one-fifth	$861,600,000
Increase in income-tax receipts from railroads only	$271,400,000
Net increase in Federal revenue would be at least	$24,000,000
Ton-miles handled by motor vehicle private haulers (1955)	71,800,000,000
Value of ton-miles handled by motor vehicle private haulers	$4,308,000,000
Railroads would get added gross revenues, if excise tax is removed, totaling	$861,600,000
Which would produce additional railroad taxable income of	$603,120,000
On which the railroads would pay added income tax to the United States Government of	$271,400,000

Mr. SMATHERS. Mr. President, how much time do I now have?

The PRESIDING OFFICER. The Senator from Florida has 13 minutes remaining on the first part of the amendment.

Mr. SMATHERS. And 15 minutes on the second part?

The PRESIDING OFFICER. Yes.

Mr. SMATHERS. I yield to the able Senator from Missouri [Mr. SYMINGTON] 4 minutes.

Mr. SYMINGTON. Mr. President, at a time when our attention is focused on the causes of lagging business and rising unemployment, we are compelled to take a fresh look at the effects of various Government activities on the economy, and particularly the effect of various taxes.

I say we are compelled to do this, for I believe there are many areas where legislative action, especially on tax matters, would encourage economic activity, production and employment.

In this connection, I single out one tax which simply does not make sense. This levy greatly adds to the costs of production, raises the prices of goods to consumers, seriously hampers the movement of goods from one section of the country to the other and discriminates against a vast segment of the business and farm communities.

I refer to the wartime-enacted Federal excise taxes on the transportation of goods and people—the 3 percent tax on freight shipments and the 10 percent tax on travel by public carrier.

The record shows that these taxes are unsound and uneconomic. They not only push up costs and act as a serious drag on the economy of a Nation which prides

itself on the achievement of a continental system of swift and efficient distribution of goods, but they have also contributed enormously to the relative decline of the common carriers.

It seems incongruous that the dead weight of these levies should continue to be applied at precisely the time when so much effort is being directed toward finding ways of encouraging trade, purchases and consumption.

The net effect of these taxes, especially the freight levy, is exactly the opposite.

The final irony, however, is that the transportation taxes have not even proven a good source of revenue to the Government.

Common carriers, which have seen the Nation's expanding traffic load moving increasingly by untaxed private transportation, suffer business losses, which, for the Government, means less taxable traffic.

We must also realize that the companies which ship goods by for-hire carriers list the taxes so paid as deductible business expenses, to this extent reducing their corporate income tax payments.

We must further realize that the for-hire carriers who are victimized by these taxes stand to gain new business once the taxes are eliminated, thus increasing the carriers' revenues and their own income tax payments to the Government.

In short, I seriously question whether the Government would lose much if any revenue as a result of the repeal of the transportation excise taxes.

Equally important, we must also weigh the matter of simple justice in examining these excises. We need not look far for evidence of how these taxes are sapping the strength of the for-hire public carriers which are so essential to the public welfare.

A subcommittee of the Interstate and Foreign Commerce Committee of the Senate under our distinguished colleague, the Senator from Florida [Mr. SMATHERS], early this year held extensive hearings on the pressing troubles that beset the transportation industry.

These hearings dramatically pointed up these ominous facts: Railroad freight carloadings have dwindled to a point where they are only a little more than half the postwar high point set in 1947; employment has so declined in the industry that half a million railroad workers have lost their jobs in the postwar period; earnings have so shrunk that working capital has fallen below a safe minimum; and purchases from the vast railway supply industry have been cut to the bone, resulting in enormous hardship among all those companies dependent on railroad buying.

The PRESIDING OFFICER. The time of the Senator from Missouri has expired.

Mr. SYMINGTON. Mr. President, I ask unanimous consent that I may proceed for 2 additional minutes.

Mr. SMATHERS. May the Senator so request, without the time coming from our time?

Mr. KNOWLAND. Mr. President, what was the request?

Mr. SMATHERS. The Senator from Missouri asked unanimous consent to proceed for an additional 2 minutes without the time coming out of our time.

Mr. KNOWLAND. Mr. President, I will yield 2 minutes to the Senator from Missouri.

Mr. SYMINGTON. I thank the distinguished minority leader for his typically gracious courtesy.

Now, railroads have been hit by business recession far harder than other carriers, for the traffic that forms their earnings bloodstream has been throttled back and diverted more and more to other forms of transportation.

One of the major reasons for this shift has been the taxes which were placed on transportation charges in World War II—the 3 percent on freight bills and the 10 percent on passenger fares.

As Senators know, these taxes are applied only on the services of for-hire carriers.

Obviously, as the public has learned all too readily, the way to avoid these levies is to use one's own private car, or unregulated truck or unregulated barge. And people have been doing just that, in wholesale numbers, thereby undermining the common carriers.

Two-thirds of intercity truck traffic has now moved beyond Federal rate regulation.

That the Federal excise taxes have done their work unobtrusively and insidiously has, if anything, added to their destructive impact, and this damage is all the more indefensible in the light of the stated policy of Congress to encourage a strong common carrier system to meet the needs of commerce and the Nation's security.

We can now contribute to the financial recovery of the "million-man" railroad industry, on the one hand, and to general economic revitalization on the other, by means of one strong move.

We must repeal these onerous and burdensome transportation levies, and I urge that we take that action now.

Mr. President, I congratulate the able Senator from Florida for the splendid job he has done in this connection.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HOLLAND. Mr. President——

Mr. SMATHERS. Mr. President, I am happy to yield the distinguished senior Senator from Florida 3 minutes.

The PRESIDING OFFICER. The Senator from Florida is recognized for 3 minutes.

Mr. HOLLAND. Mr. President, first I congratulate my distinguished colleague for the very fine and thorough job he has done in this matter. Second, I invite attention to the fact that what we are seeking to do now is a part of the job which we began in the passage of the general authorizing legislation which we all have hopes will soon become law. One of the reasons advanced for the passage of such legislation, and properly so, is the fact that the existence of the transportation tax on freight is one of the very real causes for the decreasing prosperity of railroads.

Mr. President, with his customary thoroughness, the distinguished Senator from Ohio [Mr. LAUSCHE], in his individual views in the report on S. 3778, the Transportation Act of 1958, included these words, which illuminate the subject very clearly:

> The testimony in the hearings conducted by the subcommittee clearly disclosed that the existence of the 3-percent excise tax against freight transportation has caused many private shippers to discontinue the use of public carriers, establish their own transportation system, and thus escape the paying of the tax.

Mr. President, when we are setting up, and very properly so, an elaborate and expensive governmental program for the aid of railroads—I am thinking now particularly about the railroads, although the relief will apply to all public carriers—how foolish it would be to stop short of cutting out one of the most effective contributing causes to the lack of prosperity which has assailed them and under which they are now suffering.

Mr. President, again I commend and congratulate my distinguished colleague, the junior Senator from Florida.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KNOWLAND. Mr. President, I yield 20 minutes to the Senator from Oregon [Mr. MORSE].

The PRESIDING OFFICER. The Senator from Oregon is recognized for 20 minutes.

Mr. MORSE. Mr. President, I wish to speak in support of the Douglas excise-tax-cut amendments and the Smathers amendment dealing only with the transportation tax. I think it is important, before we vote on the Smathers amendment, to review the historic relationship of these transportation taxes to the purposes of the Congress at the time they were imposed.

From time to time the Joint Committee on Internal Revenue Taxation has published tables showing the recent history of Federal excise taxes.

The most recent of these appeared in November 1956 and shows changes in excise tax rates since 1939.

From these tables, excises can be divided into two general classes; those traditionally levied as permanent revenue raisers, and those imposed during wartime for the dual purpose of raising revenue and curtailing use and purchase of civilian goods and services.

Primary in the first class are excises on alcoholic beverages and on tobacco products. We also have traditionally imposed a stamp tax, affecting stock and bond issues and transfers. We have had peacetime manufacturers' excises of moderate amounts upon automobiles, trucks, buses, and automotive parts and accessories. Other products historically subject to tax at the Federal level have included gasoline, furs, firearms, phonograph records, radios, refrigerators, and sporting goods.

I shall not read the entire list of items shown in this table, because it is very long, but the remaining excises applied to certain foods, to services and imports.

Mr. President, I ask unanimous consent that the entire list be printed in the RECORD at this point as a part of my remarks.

There being no objection, the list was ordered to be printed in the RECORD.

TABLE VI.—*Excise tax rates in effect as of certain specified dates*

Commodity, etc., taxed	Unit of tax	Rates in effect as of—			
		Dec. 31, 1932	Dec. 31, 1939	Dec. 31, 1945	Dec. 31, 1956
Liquor taxes:					
Distilled spirits:					
Domestic and imported	Per proof or wine gallon if below proof.	$1.10 [1]	$2.25	$9 [2]	$10.50.[2]
Brandy	Per proof or wine gallon if below proof.	$1.10	$2	$9	$10.50.
Imported perfumes containing distilled spirits.	Per wine gallon	$1.10	$2.25	$9	$10.50.
Rectified spirits and wines, additional tax	Per proof gallon	30 cents	30 cents	30 cents	30 cents.
Wines:					
Still wines according to alcohol content by volume:					
Not over 14 percent	Per wine gallon	4 cents	5 cents	15 cents	17 cents.
Over 14 percent to 21 percent	do	10 cents	10 cents	60 cents	67 cents.
Over 21 percent to 24 percent	do	25 cents	20 cents	$2	$2.25.
Over 24 percent	Per proof or wine gallon.	$1.10	$2.25	$9	$10.50.
Sparkling wines, liqueurs, and cordials:					
Champagne or sparkling wines	Per half pint	12 cents	2½ cents	15 cents	$3.40 per wine gallon.
Artificially carbonated wines	do	6 cents	1¼ cents per pint	10 cents	$2.40 per wine gallon.
Liqueurs, cordials, etc.	do	6 cents	1¼ cents	10 cents	$1.92 per wine gallon
Fermented malt liquors	Per barrel	$6	$5	$8	$9.
Stamp taxes on distilled spirits:					
Container stamps	Per container		Less than ½ pint ¼ cent; ½ pint or more 1 cent.	Less than ½ pint ¼ cent; ½ pint or more 1 cent.	([3]).
Case stamps, distilled spirits bottled in bond.					
Export stamps, distilled spirits intended for export.	Per package	10 cents	10 cents	10 cents	([3a]).
Special occupational taxes:					
Wholesale dealers, distilled spirits and wines	Per year	$100 [1]	$100	$110	$200.
Retail dealers, distilled spirits and wines	do	$25 [1]	$25	$27.50	$50.
Rectifiers:					
Less than 500 barrels a year	do	$100 [1]	$100	$110	$110.
500 barrels or more a year	do	$200 [1]	$200	$220	$220.
Manufacturers of stills or worms	do	$50 [1]	$50	$55	$55.
Stills or worms	Per still or worm	$20	$20	$22	$22.
Nonbeverage manufacturers, per annual withdrawals:					
Not more than 25 proof gallons	Per year			$25	$25.
Not more than 50 proof gallons	do			$50	$50.
More than 50 proof gallons	do			$100	$100.
Brewers:					
Production less than 500 barrels a year	Per brewery per year	$50 [1]	$50	$55	$55.
Production 500 barrels or more a year	do	$100 [1]	$100	$110	$110.
Wholesale dealers, fermented malt liquors	Per year	$50	$50	$55	$100.
Retail dealers, fermented malt liquors	do	$20	$20	$22	$22.
Temporary dealers, fermented malt liquors and wine.	Per month	$2	$2	$2.20	$2.20.
Tobacco taxes:					
Cigarettes:					
Small, weighing not more than 3 pounds per 1,000.	Per 1,000	$3	$3	$3.50	$4.
Large, weighing more than 3 pounds per 1,000.	do	$7.20	$7.20 [4]	$8.40 [4]	$8.40.[4]
Cigars:					
Small, weighing not more than 3 pounds per 1,000.	do	75 cents	75 cents	75 cents	75 cents.
Large, weighing more than 3 pounds per 1,000 if intended to retail at—					
Not over 2½ cents	do	$2	$2	$2.50	$2.50.
Over 2½ cents to 4 cents	do	$2	$2	$3	$3.
Over 4 cents to 5 cents	do	$2	$2	$4	$4.
Over 5 cents to 6 cents	do	$3	$3	$4	$4.
Over 6 cents to 8 cents	do	$3	$3	$7	$7.
Over 8 cents to 15 cents	do	$5	$5	$10	$10.
Over 15 cents to 20 cents	do	$10.50	$10.50	$15	$15.
Over 20 cents	do	$13.50	$13.50	$20	$20.
Tobacco, chewing and smoking	Per pound	18 cents	18 cents	18 cents	10 cents.
Snuff	do	18 cents	18 cents	18 cents	10 cents.
Cigarette papers:					
Package of 26–50 sheets	Per package	½ cent	½ cent	½ cent	½ cent.
Additional 50 sheets or fraction	Per 50 or fraction	½ cent	½ cent	½ cent	½ cent.
Cigarette tubes	do	1 cent	1 cent	1 cent	1 cent.
Leaf tobacco, penalty tax (sold or shipped by dealers in violation of law).	Per pound	18 cents	18 cents	18 cents	10 cents.
Stamp taxes, documentary, etc.:					
Bond issues	Each $100 of face value or fraction.	10 cents	10 cents	11 cents	11 cents.
Bond transfers	do	4 cents	4 cents	5 cents	5 cents.
Stock issues:					
Par or face value	Each $100 par or face value.	10 cents	10 cents	11 cents	11 cents.
No par or face value—actual value $100 or more per share.	do	10 cents	10 cents	11 cents	11 cents.
No par or face value—actual value less than $100 per share.	Each $20 or fraction	2 cents	2 cents	3 cents	3 cents.
Stock transfers:					
Par or face value if selling price is under $20	Each $100 par or face value.	4 cents	4 cents	5 cents	5 cents.
Par or face value if selling price is $20 or more	do	5 cents	5 cents	6 cents	6 cents.
Without par or face value if selling price is under $20.	Per share	4 cents	4 cents	5 cents	5 cents.
Without par or face value if selling price is $20 or more.	do	5 cents	5 cents	6 cents	6 cents.
Deeds, conveyances, etc.:					
Value over $100 and not over $500	Amount over $100 and not over $500.	50 cents	50 cents	55 cents	55 cents.
Value over $500	Each additional $500 or fraction.	50 cents	50 cents	55 cents	55 cents.
Foreign insurance policies other than life, etc.	Per dollar or fraction of premium.	3 cents	3 cents	4 cents	4 cents.
Foreign life, sickness, accident, and annuity contracts.	do			1 cent	1 cent.
Foreign reinsurance policies	do			1 cent	1 cent.

[1] In addition to rates shown, special penalty taxes were in effect during the prohibition period.

[2] Drawback or $6 per gallon and $9.50 per gallon, respectively, on distilled spirits withdrawn for certain nonbeverage purposes.

[3] No charge to be made for stamps after January 1, 1955.

[3a] In addition to rates shown, special penalty taxes were in effect during the prohibition period.

[4] Large cigarettes over 6½ inches long counting each 2¾ inches as 1 cigarette taxed as small cigarettes.

TABLE VI.—*Excise tax rates in effect as of certain specified dates*—Continued

Commodity, etc., taxed	Unit of tax	Rates in effect as of—			
		Dec. 31, 1932	Dec. 31, 1939	Dec. 31, 1945	Dec. 31, 1956
Stamp taxes, documentary, etc.—Continued					
Passage tickets to foreign port:					
Costing over $10 and not over $30	Price paid	$1	$1	$1.10	
Costing over $30 and not over $60	do	$3	$3	$3.50	
Costing over $60	do	$5	$5	$5.50	
Playing cards	Per package of not more than 54.	10 cents	10 cents	13 cents	13 cents.
Silver bullion sales or transfers	Of amount by which the selling price exceeds cost plus allowed expenses.		50 percent	50 percent	50 percent.
Sales of produce for future delivery	Per $100 or fraction	5 cents			
Manufacturers' excise taxes:					
Air conditioners (self-contained units)	Manufacturers' sale price.			10 percent	10 percent.
Automobiles, etc.:					
Automobiles, passenger, auto trailers, and motorcycles.	do	3 percent	3 percent	7 percent	10 percent.[4]
Automobile trucks, trailers, buses, and road tractors.	do	2 percent [5]	2 percent [5]	5 percent	10 percent.
Parts and accessories	do	2 percent	2 percent	5 percent	8 percent.[7]
Tires	Per pound	2¼ cents	2¼ cents	5 cents	8 cents.[8]
Tubes	do	4 cents	4 cents	9 cents	9 cents.
Tread rubber	do				3 cents.
Business and store machines [9]	Manufacturers' sale price.			10 percent	10 percent.
Brewers malt	Per pound	3 cents			
Brewers wort	Per gallon	15 cents			
Candy	Sale price	2 percent			
Chewing gum	do	2 percent			
Cigarette, cigar, and pipe mechanical lighters [10]	Manufacturers' sale price.				10 percent.
Electrical energy	do	3 percent	3 percent	3⅛ percent	
Electric, gas, and oil appliances	do			10 percent	5 percent.[11]
Electric light bulbs and tubes	do			20 percent	10 percent.
Firearms, shells	do	10 percent	10 percent	11 percent	11 percent.
Fountain pens, mechanical pencils, ballpoint pens.[10]	do				10 percent.
Fur articles	Sale price	10 percent			
Gasoline	Per gallon	1 cent	1 cent	1½ cents	3 cents.[12]
Grape concentrate of more than 35 percent sugar content by weight.	do	20 cents			
Jewelry	Sale price	10 percent			
Lubricating oil	Per gallon	4 cents	4 cents	6 cents	6 cents.[13]
Matches:					
Ordinary	Per 1,000	2 cents		2 cents	2 cents.
Fancy wood	do	2 cents	5 cents	5½ cents	5½ cents.
White phosphorus	Per 100	2 cents	2 cents	2 cents	2 cents.
Paper, in books	Per 1,000	½ cent		2 cents	2 cents.
Mixed flour	Per barrel	4 cents	4 cents		
Mixed flour, manufacturers or packers of	Per year	$12	$12		
Musical instruments	Manufacturers' sale price.			10 percent	10 percent.
Phonograph records	do	5 percent		10 percent	10 percent.
Phonographs	do			10 percent	10 percent.[14]
Photographic apparatus and equipment:					
Cameras and lenses	do	10 percent [15]		25 percent [16]	10 percent.[17]
Photographic plates, sensitized paper	do			15 percent	
Photographic apparatus and equipment	do			25 percent	
Unexposed film	do			15 percent	10 percent.[18]
Pistols and revolvers	do	10 percent	10 percent	11 percent	10 percent.
Quick-freeze units	do				5 percent.
Radio receiving sets, components, etc	do	5 percent	5 percent	10 percent	10 percent.[14]
Refrigerators, household types	do	5 percent	5 percent	10 percent	5 percent.
Refrigerating apparatus	do			10 percent	5 percent.
Sporting goods and equipment	do	10 percent		10 percent	10 percent.[19]
Television sets, components, etc	do				10 percent.[14]
Toilet preparations	do	10 percent	10 percent		
Toothpaste, toilet soaps	do	5 percent			
Retailers' excise taxes:					
Diesel fuel used for highway vehicles	Per gallon				3 cents.
Furs and fur articles	Retailers' sale price			20 percent	10 percent.[20]
Jewelry	do			20 percent [21]	10 percent.
Luggage, purses, wallets, etc	do			20 percent	10 percent.
Toilet preparations	do			20 percent	10 percent.[22]
Miscellaneous excise taxes:					
Admissions:					
Generally	Amount charged	1 cent for each 10 cents or fraction if 41 cents or more.	1 cent for each 10 cents or fraction if 41 cents or more.	1 cent for each 5 cents or major fraction.	1 cent for each 10 cents or major fraction if 91 cents or more.[23]
Excess charges by proprietor	Excess charge	50 percent	50 percent	50 percent	50 percent.

[4] House trailers and motorcycles exempt.

[5] Buses taxed at same rate as passenger automobiles.

[7] Rebuilt or reconditioned parts and accessories taxed only on that portion of the price which exceeds the value of a like part traded in. Credit or refund of the tax is granted where parts or accessories are used or resold for the repair or replacement of farm equipment, except in the case of spark plugs, storage batteries, leaf springs, coils, timers and tire chains.

[8] Tires not more than 20 inches in diameter and not more than 1¾ inches in cross section if such tires are of all rubber construction without fabric or metal reinforcement, or tires of extruded tiring with internal wire fastening agent, exempt. Tires other than those used on highway vehicles taxed at the rate of 5 cents per pound.

[9] Cash registers of the type used in registering over-the-counter retail sales, exempt.

[10] Excludes those which are subject to the 20 percent retail tax.

[11] The Revenue Act of 1951 added certain household-type appliances to the tax base and exempted certain non-household-type appliances previously taxed. The Excise Tax Reduction Act of 1954 continued the base established by the Revenue Act of 1951 but reduced the rate to 5 percent.

[12] Tax refunded in the case of gasoline and diesel and special motor fuel used for farming purposes. The Federal-Aid Highway Act of 1956 which increased the rate of tax on gasoline made provision for the following exemptions or refunds: Local transit systems to be refunded 1 cent a gallon on both gasoline and diesel or special motor fuel purchased; purchasers of gasoline for nonhighway use entitled to 1 cent a gallon refund; purchases of diesel or special motor fuel for nonhighway use exempted from this additional 1 cent a gallon tax.

[13] Cutting oil taxed at the rate of 3 cents per gallon.

[14] Tax on radio and television receiving sets, phonographs, and a combination of the foregoing limited to those of the entertainment type.

[15] Excludes aerial cameras and cameras weighing more than 100 pounds.

[16] Cameras weighing more than 4 pounds exclusive of lens and accessories exempt.

[17] Commercial and industrial types exempt.

[18] Tax applies only to film in rolls.

[19] Specific types of articles used predominantly for school sports and by children exempt.

[20] Fur-trimmed coats exempt when value of fur is less than 3 times the value of the next most valuable component.

[21] Silver-plated flatware exempt. Watches, designed for the blind, precious metals used in essential parts for smokers' pipes, and buttons, insignia, etc., used on uniforms of the Armed Forces, exempt. Watches retailing for not more than $65 and alarm clocks retailing for not more than $5 taxed at 10 percent.

[22] Baby powders, oils and lotions; barber and beauty shop supplies to be used on premises; and miniature samples of toilet preparations sold to house-to-house salesmen for demonstration purposes, exempt.

[23] Admissions accruing to specified educational, religious, and charitable institutions and nonprofit organizations, and all free admissions, exempt. In the case of reduced-rate admissions, tax applies to actual amounts paid. If admission is to horse or dog racetrack rate is 20 percent, and 90-cent exemption does not apply.

TABLE VI.—*Excise tax rates in effect as of certain specified dates*—Continued

Commodity, etc., taxed	Unit of tax	Rates in effect as of—			
		Dec. 31, 1932	Dec. 31, 1939	Dec. 31, 1945	Dec. 31, 1956
Miscellaneous excise taxes—Continued					
Admissions—Continued					
Leases of boxes or seats	Amount charged for similar accommodations.	10 percent	10 percent	20 percent	10 percent.[23]
Ticket broker sales in excess of regular price	Excess charge	10 percent	10 percent	20 percent	10 percent.[23]
Cabarets, roof gardens, etc	Taxable amount	1½ cents for each 10 cents or fraction.[24]	1½ cents for each 10 cents or fraction.[24]	20 percent [25]	20 percent.[25 26]
Bowling alleys, billiard and pool tables	Each unit per year			$20	$20.
Checks, drafts, or orders for payment of money	Each	2 cents			
Club dues, initiation fees [27]	Amount paid	10 percent	10 percent	20 percent	20 percent.
Coconut and other vegetable oils processed, first domestic processing.	Per pound		3 cents	3 cents	3 cents.
Coin-operated devices:					
Amusement or music machines	Each unit per year			$10	$10.
Gaming devices	do			$100	$250.
Leases of safe deposit boxes	Amount collected	10 percent	10 percent	20 percent	10 percent.
Oleomargarine, adulterated butter, filled cheese:					
Oleomargarine:					
Colored	Per pound	10 cents	10 cents	10 cents	
Uncolored	do	¼ cent	¼ cent	¼ cent	
Imported, in addition to import duties	do	15 cents	15 cents	15 cents	15 cents.
Manufacturers	Per year	$600	$600	$600	
Retailers of colored oleomargarine	do	$48	$48	$48	
Retailers of uncolored oleomargarine	do	$6	$6	$6	
Wholesalers of colored oleomargarine	do	$480	$480	$480	
Wholesalers of uncolored oleomargarine	Per year	$200	$200	$200	
Adulterated butter:					
Adulterated butter	Per pound	10 cents	10 cents	10 cents	10 cents.
Manufacturers	Per year	$600	$600	$600	$600.
Wholesale dealers	do	$480	$480	$480	$480.
Retail dealers	do	$48	$48	$48	$48.
Processed butter:					
Processed butter	Per pound	¼ cent	¼ cent	¼ cent	¼ cent.
Manufacturers	Per year	$50	$50	$50	$50.
Filled cheese:					
Domestic	Per pound	1 cent	1 cent	1 cent	1 cent.
Imported, in addition to import duties	do	8 cents	8 cents	8 cents	8 cents.
Manufacturers, per factory	Per year	$400	$400	$400	$400.
Wholesale dealers	do	$250	$250	$250	$250.
Retail dealers	do	$12	$12	$12	$12.
Soft drinks (carbonated beverages, fountain sirups, mineral waters, etc.).	Per gallon	1¼ cents to 6 cents			
Sugar:					
Testing 92 sugar degrees	Per pound		0.465 cent	0.465 cent	0.465 cent.
Each additional degree (fractions in proportion).	do		0.00875 cent	0.00875 cent	0.00875 cent.
Testing less than 92 sugar degrees	do		0.5144 cent	0.5144 cent	0.5144 cent.
Telephone, telegraph, radio, and cable facilities:					
Local telephone service	Amount charged			15 percent	10 percent.
Telephone toll service:					
Charge more than 24 cents and less than 50 cents.	do	None	None	25 percent	10 percent.[28]
Charge more than 50 cents and less than $1.	do	10 cents	10 cents		
Charge more than $1 and less than $2	do	15 cents	15 cents		
Charge more than $2	do	20 cents	20 cents		
Telegraph messages:					
Domestic	do	5 percent	5 percent	25 percent	10 percent.
International	do	5 percent	5 percent	10 percent	10 percent.
Cable and radio messages:					
Domestic	do	10 cents per message	10 cents per message	25 percent	10 percent.
International	do	10 cents per message	10 cents per message	10 percent	10 percent.
Leased wires	do	5 percent	5 percent	25 percent	10 percent.
Wire and equipment service	do	5 percent	5 percent	8 percent	8 percent.
Transportation of oil by pipeline	Amount paid	4 percent	4 percent	4½ percent	4½ percent.
Transportation of persons:					
Commutation or season tickets for single trips of less than 30 miles or commutation tickets for 1 month or less.	do			None	None.
Amounts paid, generally	do			15 percent [29]	10 percent.[30]
Seats and berths	do			15 percent	10 percent.
Transportation of property:					
Coal	Each short ton			4 cents	4 cents.
Other	Amount paid			3 percent	3 percent.[31]
Wagering:					
Wagers (except parimutuel)	Amount wagered				10 percent.
Occupation of accepting taxable wagers	Per year				$50.
Yachts, pleasure boats, sailing boats, motor boats with fixed or outboard engines:					
Domestic construction	Size or type	$10 to $200			
Foreign construction	do	$20 to $400			
All other miscellaneous excise taxes:					
Alaskan railroads	Of gross annual income.	1 percent	1 percent	1 percent	
Bank circulation, etc., taxes:					
Circulation other than of national banks:					
On average circulation outstanding:					
Entire circulation	Each month	1/12 of 1 percent	1/12 of 1 percent	1/12 of 1 percent	1/12 of 1 percent.
Circulation exceeding 90 percent of capital (additional tax).	do	1/6 of 1 percent	1/6 of 1 percent	1/6 of 1 percent	1/6 of 1 percent.
Circulation paid out	do	10 percent	10 percent	10 percent	10 percent.
Cotton futures (subject to many conditions)	Per pound	2 cents	2 cents	2 cents	4 cents.

[23] Taxable amount was admission charge, deemed to be 20 percent of total paid for refreshments, services, and merchandise; amounts of 50 cents or less exempt.

[25] Taxable amount includes amounts paid for admission, refreshments, services, and merchandise.

[26] Revenue Act of 1951 exempts admissions to ballrooms and dancehalls where serving of food, etc., is incidental to furnishing music and dancing privileges.

[27] Prior to 1941 dues of $25 or less and fees of $10 or less exempt; 1941 and later years, dues of $10 and fees of $10 exempt.

[28] Calls from combat zones initiated by members of the Armed Forces, exempt.

[29] Special Rate furlough tickets exempt. Fares of 35 cents or less exempt.

[30] Excise Tax Act of 1947 exempted, in general, transportation outside northern portion of Western Hemisphere. Public Law 796, 84th Cong., exempted foreign travel in general, except those trips beginning and ending within the United States or the 225-mile "buffer zones" in Canada and in Mexico. Fares of 60 cents or less exempt.

[31] Charges made for the movement of excavated material within the boundaries of a construction project or to an adjacent area, exempt.

TABLE VI.—*Excise tax rates in effect as of certain specified dates*—Continued

Commodity, etc., taxed	Unit of tax	Rates in effect as of—			
		Dec. 31, 1932	Dec. 31, 1939	Dec. 31, 1945	Dec. 31, 1956
All other miscellaneous excise taxes—Continued					
Firearms (National Firearms Act):					
Certain short 2-barrel guns:					
Sale or transfer	Per firearm		$1	$1	$1.
Importers or manufacturers	Per year		$25	$25	$25.
Dealers	do		$1	$1	$1.
Machineguns, silencers, etc.:					
Sale or transfer	Per firearm		$200	$200	$200.
Importers or manufacturers	Per year		$500	$500	$500.
Dealers	do		$200	$200	$200.
Pawnbrokers	do		$300	$300	$300.
Import excise taxes:					
Coal, coke, etc.[32]	Per 100 pounds	10 cents	10 cents	10 cents	10 cents.
Copper and copper concentrates:					
Articles containing 4 percent or more of copper.	By weight	3 percent ad valorem or ¾ cent per pound, whichever is lower.	3 percent ad valorem or ¾ cent per pound, whichever is lower.	3 percent ad valorem or ¾ cent per pound, whichever is lower.	3 percent ad valorem or ¾ cent per pound, whichever is lower.
Articles in which copper is component material of chief value.	Per pound	3 cents	3 cents	3 cents	3 cents.
Copper-bearing ores and concentrates and articles specified in Tariff Act of 1930.	Per pound of copper therein.	4 cents	4 cents	4 cents	4 cents.
Crude petroleum, fuel oil, gas oil, and liquid derivatives (except gasoline and lubricating oil).	Per gallon	½ cent	½ cent	½ cent	½ cent.
Gasoline and other motor fuel	do	2½ cents	2½ cents	2½ cents	2½ cents.
Hempseed	Per pound		1.24 cents	1.24 cents	1.24 cents.
Lubricating oils	Per gallon	4 cents	4 cents	4 cents	4 cents.
Lumber, except flooring of maple, birch, and beech.[33]	Per 1,000 feet	$3	$3	$3	$3.
Oils:					
Sunflower, rapeseed, sesame, kapok, hempseed, and perilla oils, etc. (except rapeseed oil imported for use in manufacture of rubber substitutes or lubricating oil).	Per pound		4½ cents	4½ cents	4½ cents.
Whale oil (except sperm oil), fish oil (except cod oil, cod-liver oil, and halibut-liver oil), marine animal oil, or any combination of the foregoing, etc.[34]	do		3 cents	3 cents	3 cents.
Paraffin and other petroleum wax products.	do	1 cent	1 cent	1 cent	1 cent.
Perilla seed	do		1.38 cents	1.38 cents	1.38 cents.
Rapeseed, kapok seed	do		2 cents	2 cents	2 cents.
Sesame seed	do		1.18 cents	1.18 cents	1.18 cents.
Bituminous coal:					
Excise tax on sale of bituminous coal produced within the United States.	Per ton of 2,000 pounds.		1 cent		
Additional excise tax, applicable to producers not members of Bituminous Coal Code:					
If sold at mine	Of sales price at mine		19½ percent		
If not sold at mine or through arm's-length transaction, of fair market value at time of sale.	Of fair market value		19½ percent		
Marihuana:					
Transfers to registered persons	Per ounce		$1	$1	$1.
Transfers to unregistered persons	do		$100	$100	$100.
Importers, manufacturers, and compounders	Per year		$24	$24	$24.
Producers	do		$1	$1	$1.
Practitioners	do		$1	$1	$1.
Persons engaged in laboratory research	do		$1	$1	$1.
Persons other than practitioners who deal in, dispense, or give away.	do		$3	$3	$3.
Opium:					
Opium and coca leaves, etc	Per ounce	1 cent	1 cent	1 cent	1 cent.
Opium for smoking	Per pound	$300	$300	$300	$300.
Importers, manufacturers, producers, and compounders.	Per year	$24	$24	$24	$24.
Wholesale dealers	do	$12	$12	$12	$12.
Retail dealers	do	$3	$3	$3	$3.
Practitioners	do	$1	$1	$1	$1.
Persons engaged in laboratory research	do		$1	$1	$1.
Persons not otherwise taxed, dispensing preparation of limited narcotic content.	do	$1	$1	$1	$1.

[32] Applies only on imports if imports from a country during the preceding calendar year exceeded exports to it.

[33] Tax does not apply to lumber of northern white pine, Norway pine, western white spruce, and Englemann spruce.

[34] Whale oil, fish oil, or marine animal oil of any kind may enter tax free if such oil was produced on vessels of the United States or in the United States or its possessions, from whale, fish, or marine animals or parts thereof taken and captured by vessels of the United States.

Mr. MORSE. Mr. President, when World War II broke upon us, existing excises were increased and a whole range of new ones were imposed.

This same publication by the Joint Committee on Internal Revenue Taxation shows in other tables the excises increased or newly imposed during or subsequent to World War II which are still in effect.

By the Revenue Acts of 1941, 1942, and 1943, existing rates were doubled, and some more than doubled. A new list of goods and services was added.

Among the new excises which were imposed purely as war taxes were those on transportation and on local telephone service. The new tax on transportation of persons went as high as 15 percent during World War II; it has subsequently been reduced only to 10 percent.

The 3 percent tax on transportation of goods—and that means the freight on which American industry thrives—was imposed in 1942. It remains in full force today.

The wartime tax on local telephone service, first imposed in 1941, reached 15 percent in 1943 and has been reduced only to 10 percent.

The wartime retailers' excises on luggage, handbags, wallets, jewelry, furs, and toilet preparations went as high as 20 percent and now remain at 10 percent.

It will be seen that slight modification has been made in some of the wartime excises. But the shortest list in this entire publication is the one showing excises in effect in 1939 that have subsequently been repealed or allowed to expire.

Mr. President, I ask unanimous consent that the table be printed in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD.

TABLE VIII.—*Excise taxes which have been repealed or have expired subsequent to Dec. 31, 1939*

Title and unit of tax	In effect Dec. 31, 1939		Revenue Act of—		Remarks
	Year enacted	Rates	1940	1941	
LIQUOR TAXES					
Grape brandy, citrus fruit, peach, cherry, berry, apricot, apple, prune, and pear brandy, or wine spirits withdrawn and used in fortification of wines, per proof gallon.	1936	10 cents	Eliminated as of July 1, 1940.		
STAMP TAXES					
Passage tickets over $10 sold for passage by vessel to foreign port:					
Costing $10.01 to $30	1917	$1	$1.10	No change	Repealed by Excise Tax Act of 1947.
Costing $30.01 to $60	1917	$3	$3.30	do	Do.
Over $60	1917	$5	$5.50	do	Do.
MANUFACTURERS' EXCISE TAXES					
Electrical energy, of manufacturers' sales price	1932	3 percent	3½ percent	do	Repealed by Revenue Act of 1951.
Mixed flour, per barrel	In effect Dec. 31, 1913.	4 cents	No change	do	Repealed by Revenue Act of 1942.
Mixed flour manufacturers, per year	do	$12	do	do	Do.
Motorcycles, of manufacturers' sales price	1917	3 percent	3½ percent	7 percent	Repealed by Public Law 379, 84th Cong.
Optical equipment, of manufacturers' sales price				10 percent	Repealed by Revenue Act of 1942.
Rubber articles, where rubber is chief component by weight, of manufacturers' sales price.[1]				do	Do.
Washing machines of commercial type used in laundries, of manufacturers' sales price.				do	Do.
MISCELLANEOUS TAXES					
Alaskan railroads, of gross annual income	1914	1 percent	No change	No change	Repealed by Public Law 386, effective June 10, 1950.
Bituminous coal:					
Excise tax on sale of bituminous coal produced within the United States, per ton of 2,000 pounds.	1937	1 cent	do	do	Expired Aug. 23, 1943.
Additional excise tax, applicable to producers not members of Bituminous Coal Code:					
If sold at mine, of sales price at mine	1937	19½ percent	do	do	Do.
If not sold at mine or through arm's length transaction, of fair market value at time of sale.	1937	do	do	do	Do.
Oleomargarine:					
Colored, per pound	In effect Dec. 31, 1913.	10 cents	do	do	Repealed by Public Law 459, effective July 1, 1950.
Uncolored, per pound	do	¼ cent	do	do	
Manufacturers, per year	do	$600	do	do	
Retailers of colored oleomargarine, per year	do	$48	do	do	
Retailers of uncolored oleomargarine, per year	do	$6	do	do	
Wholesalers of colored oleomargarine, per year	do	$480	do	do	
Wholesalers of uncolored oleomargarine, per year	do	$200	do	do	
Use of automobiles, per year				$5	Repealed by Revenue Act of 1945.
Use of boats (overall length) per year:					
16 feet but not over 28 feet				$5	
Over 28 feet but not over 50 feet				$10	
Over 50 feet but not over 100 feet				$40	
Over 100 feet but not over 150 feet				$100	
Over 150 feet but not over 200 feet				$150	
Over 200 feet				$200	

[1] Tax not applicable to footwear, articles designed especially for hospital or surgical use, or articles taxable under other provisions of ch. 29 of the Internal Revenue Code of 1939.

Mr. MORSE. During World War II these taxes brought in important revenue to the Treasury. They also had the effect of discouraging civilian consumption of nonessential goods. Those on the communication and transportation industries helped to discourage civilian use of them.

But in raising existing rates and imposing new ones, Congress made it clear that they were wartime taxes because, in passing them, Congress stated that they were unfair to a peacetime economy.

It is a cardinal point in my political philosophy that politicians should keep their promises. Let me document for the Senate—and for the House of Representatives and its tax experts, as well—the promise made to the American people that these levies were for wartime only.

The first major increase in excise-tax rates came in the Revenue Act of 1940, when existing excises were raised by 10 percent. But because they were recognized as emergency taxes, they were to extend only through 1945.

In response to a special message from President Roosevelt in May 1940, the Congress enacted a new tax program. It was divided into two titles, which the Ways and Means Committee described as permanent and temporary changes. The new and increased excises were included in title II which carried the temporary changes. It stated:

The increased taxes may be divided into two categories. Those contained in title I are permanent in nature and will yield about $322 million annually. Those contained in title II are temporary in nature, being applicable only for the 5-year period 1940–45, and will yield about $682 million annually. The increased revenue attributable to title II, with certain minor exceptions, will be placed in a special fund which shall be available only for the retirement of the national defense series obligations.

That was the promise which was made. There is no question that when it enacted title II of the first Revenue Act of 1940, Congress represented that certain taxes would be permanent, but others would be temporary. In fact, it even made it clear as to when such temporary taxes should go off the books.

Income, estate gift taxes were levied under this title in addition to excises. They were provided in a new chapter to the Internal Revenue Code first entitled, "Super-Tax for 5 Years." That was changed to "Defense Tax" by the Senate and became law under that title.

I quote now from the report of the House Ways and Means Committee on the Revenue Act of 1943. It is House Report 871 of the 78th Congress.

In it, the committee said on page 8:

The existing law also imposes a long list of excise taxes. This has been greatly increased since 1939.

And on page 26:

As your committee felt that the rates of excise taxes contained in this bill were justified only in view of the wartime emergency, it was provided that the increases imposed shall terminate 6 months after the close of hostilities in the present war.

In discussing the bill's imposition of a 15 percent tax on telephone service, the committee stated:

It is generally recognized that the telephone lines are at the present time overburdened.

And in discussing the increased tax on transportation of persons it stated:

The wartime increase in transportation has been far beyond that required for essential uses (p. 29).

It becomes evident from these statements that in addition to the revenue they would bring, these levies were intended to be prohibitive.

The whole idea was to check the use of such facilities, because it was felt that such use interfered with the war economy.

The dean of them all during this period of time, so far as our fiscal affairs were concerned, was, of course, the great Representative Doughton, who was chairman of the House Ways and Means Committee. In presenting the 1943 Revenue Act he stated, as shown in the CONGRESSIONAL RECORD for November 24, 1943, on page 9913:

> The increases on present excises and new taxes are temporary and will expire after the war.

As we check through the CONGRESSIONAL RECORD, the committee hearings, and the committee reports, we find that there is no room for doubt about the fact that the whole idea of the temporary taxes was that the new temporary taxes were to expire at the close of the war.

To keep the record straight, I must add that many of the increased rates enacted in 1943 have reverted to the levels in effect in 1942. But they are still wartime taxes.

It is worth noting here that Congress has made good on its pledge, whether it be called implied or specific, to drop one wartime levy when the war emergency was past, and that is in the case of the excess-profits tax. Along with the new excises, the excess-profits tax was levied in 1940. But unlike the World War II excises, it was dropped after the war. It was reimposed again in 1950, and again allowed to expire when that war emergency was over.

Why cannot politicians do as much for excises paid ultimately by consumers as they have already done for corporation stockholders?

The excise levies also had the same wartime connotation as did the excess-profits tax, because they were intended as much to reduce certain buying as much as they were intended to raise revenue.

In the case of the transportation tax, I find that when the tax on transportation of property was imposed in 1942, the House first fixed it at 5 percent. The Senate Finance Committee struck the tax entirely from the bill and gave the following reason for doing so:

> Your committee bill eliminates a House provision which would impose a tax on the transportation of property at a rate of 5 percent of the amount paid. The Office of Price Administration advised that this tax would add greatly to the cost of production and handling of food and other necessaries, which would be reflected in higher prices for the articles, and for that reason would aid inflation (p. 60, S. Rept. 1631, 77th Cong.).

The result was a compromise in conference on 3 percent, and that is where we still are today.

Yet even in war, the OPA thought the tax would add substantially to production costs and was, therefore, undesirable.

Surely it is important now that we not put this burden on production, and even more so when we do not have the wartime motive of discouraging use of transportation facilities for civilian goods.

I am especially interested in the transportation tax because of its impact on my State's industries. Being a percentage tax, the farther goods are shipped, the greater the tax paid on the shipment.

Let me say to the Senator from Florida that the Governor of my State was in the city today, but was obliged to leave earlier in the afternoon. He sought a conference with the Senator from Florida before he left, but it was impossible to make satisfactory arrangements.

The Governor of my State wants the Senator from Florida to know that he wholeheartedly supports the position which the Senator from Florida has taken. He authorized me to say so, not only to the Senator from Florida, but to the Senate, because he recognizes the great importance of the elimination of these taxes from the standpoint of the economic welfare not only of Oregon; but of the Western States and the Southern States as well, as has been brought out by other speakers in this debate.

Oregon is about as far from its markets as it is possible for a State to get in this country. Our freight charges mean a serious price disadvantage in a midwestern or eastern market to begin with. But then we are charged an additional 3 percent on that, which enters into the cost of the product, at least to some degree. The business that tries to absorb it finds itself at a further disadvantage relative to its competitors located further east.

In our State, moreover, the 3 percent transportation tax is paid many times over on the same goods. Take lumber, for example.

A 3 percent tax can be paid as often as 5 times on the same piece of goods.

It can be paid once when the lumber is hauled from the forest to the mill. If the mill does not have an integrated operation, the lumber has to be hauled again to a planer mill, and the 3 percent tax is levied a second time.

From the planer mill, the lumber goes, let us say, to a sash-and-door factory for finishing. Add 3 percent on again.

Then, from factory to market somewhere in the Midwest comes the longest haul, on which 3 percent is levied again. And if the shipment goes to a broker, to a wholesaler, instead of directly to the retailer, it must be shipped a fifth time before it goes on sale to the final consumer.

And the 3 percent tax is levied on each shipment whether it goes by rail, by truck, or by water.

In conclusion, I should like to refer to a discussion of the impact of excise taxes which is found in a print of the Joint Economic Committee, "The Federal Revenue System: Facts and Problems," of the 84th Congress.

It is a summary of economic opinions on the effects of Federal taxes. The discussion of excises opens with this paragraph:

> One of the principal arguments advanced against excise taxation, particularly in the form of a specific manufacturers' sales tax, is that this type of tax has an adverse impact on production and employment in the taxed industry. It is pointed out that excises imposed on the production of a taxed commodity enter the cost functions of the manufacturer in the same way as the costs of raw materials, labor, services, and other factors of production, the outlays for which vary with output. Such increases in costs result in higher prices and tend to reduce sales and profits of the taxed producers.
> * * *
> It is contended that these results may be justifiable under wartime or defense emergency circumstances, when as a matter of public policy it is desired to divert resources from uses making a relatively slight contribution to the war effort (p. 62).

I am not an economist. But I can read what economists say about the effect of excises on production. Here is what they say about their effect upon consumption:

> Since some excises enter industry cost structures and tend to be reflected in the prices of the taxed commodities, they serve to restrict consumption of the taxed articles. There is general agreement that this result is desirable where it is intended to divert resources to defense uses or where consumption of the taxed item has socially undesirable effects, as in the case of narcotics (p. 63, "The Federal Revenue System: Facts and Problems," Joint Economic Committee Print, 84th Cong.).

Thus, the general justification for excises is not so much for revenue purposes as for prohibitive purposes.

In the absence of a war emergency I see no prohibitive purpose for continuation of the World War II and Korean war excises. Certainly I have heard none offered in support of their extension.

I shall support the Smathers amendment. I shall also support the Douglas amendments, which I understand will be offered later, which go even further. I shall take a step at a time, because that is the way to pass legislation on excise taxes. I shall vote, first, for the elimination of the transportation tax, but I wish to point out that the same economic arguments hold true with regard to the other excise taxes which the Senator from Illinois proposes to eliminate or drastically reduce. I hope that we will adopt the Smathers amendments. I hope that we will also greatly reduce the other excise taxes, because they are a drag on the consuming public, and they are a discouragement to buying now.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. MORSE. I will be happy to yield, but I believe I have no more time left.

The PRESIDING OFFICER. The Senator from Oregon has 4 minutes remaining.

Mr. MAGNUSON. The Senator from Oregon brought out the discriminatory features of the tax on lumber items shipped from our area on the west coast to the normal markets beyond the Mississippi. In some cases the tax was used 11 times.

Mr. MORSE. That is correct. It is a cumulative effect. The example I used was that on some lumber items the tax was imposed five different times from the cutting of the log in the forest to the sale of the lumber in an eastern retail lumberyard.

Mr. MAGNUSON. It was used 11 times on some items.

Mr. MORSE. That is correct. I am glad the Senator brought out that point of how this transportation tax has an accumulative effect. The accumulative effect of the tax is a terrific disadvantage to the economy of the West and the South. I have always taken it for granted that my colleagues in the Senate have no intention of discriminating against any section of the country by the misuse of the tax structure of the country. That is exactly what the transportation excise tax does to the West and the South.

Mr. KNOWLAND. Mr. President, I yield 4 minutes to the Senator from New Jersey.

Mr. SMITH of New Jersey. Mr. President, I find myself embarrassed by the issue presented to us, because no one feels more strongly that the railroads need relief than I do, and I have so expressed myself a number of times.

What bothers me is that we have before us an emergency bill which must meet the deadline of June 30th at the end of the present fiscal year. I feel it is necessary that the tax structure be continued for another year, and that to attach amendments to the bill giving tax relief to special areas is the wrong approach. I agree with the unanimous action of the Committee of the House with the action of the House, and with the unanimous action of the Committee on Finance of the Senate in feeling that the subject should be treated in a clean bill, with no amendments and no encumbrances, providing for no reduction of taxes in connection with the pending bill.

I have received letters from nearly every industry in my State of New Jersey asking for a particular tax cut.

I have said to my railroad friends that I would do all I could to get relief for the railroads, because they must have such relief. However, I believe we would be making a serious mistake if we were to make an exception and give a tax cut to the railroads in the pending bill, particularly when it is almost inevitable, unless all of us lose our minds, that the railroads will be given relief this year in the bill we passed providing relief for them in another area. That bill is now pending in the House. That would be a proper bill to which to add a provision with regard to taxes. It should not be done on the pending bill, which must be enacted before the June 30 deadline.

In spite of the fact that I told my good friend, the Senator from Florida [Mr. SMATHERS], that I was entirely in favor of railroad relief legislation, I feel that, coming as it does in the pending bill, and in this way, it would be a serious mistake to add the amendments to the pending bill at this time. Therefore, it will be necessary for me, I regret, to vote against the amendments on the transportation issue.

Mr. SMATHERS. Mr. President, I yield 2 minutes to the Senator from Connecticut.

Mr. PURTELL. Mr. President, I rise to indicate that I am thoroughly convinced that the amendments of the Senator from Florida are needed and should be adopted. As a member of the Subcommittee on Transportation, and also as a member of the Committee on Interstate and Foreign Commerce, I have listened to many days of testimony by the various segments of our business life and our economic interests and our labor interests. In every instance the witnesses indicated that the amendments were not only desirable but necessary and vital in some cases.

I shall not reiterate the many things which have been said by my colleagues. I associate myself with their remarks. These are necessary amendments. I hope they will be adopted. The time to rectify the situation is long overdue.

Mr. KNOWLAND. Mr. President, I wonder whether we may have an understanding that we will have a quorum call without the time being charged to either side. I do not believe we will have to have a full quorum call, but we should have a call in order to get some speakers to the floor.

Mr. SMATHERS. That is completely satisfactory to me.

Mr. KNOWLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair is informed by the Parliamentarian that the latest unanimous-consent agreement supersedes the preceding one and will extend the time. Because the time for the quorum call took 3 minutes, the time for the vote will come at 6:48 instead of 6:45.

Mr. KNOWLAND. Mr. President, I yield 2 minutes to the Senator from Pennsylvania.

Mr. MARTIN of Pennsylvania. Mr. President, I shall speak in a general way concerning the bill before the Senate. It has already been said that even as the taxes now stand the deficit at the end of this fiscal year will probably be $3 billion. If the pending combined amendments offered by the Senator from Florida [Mr. SMATHERS] should be adopted, it would mean an additional loss of $750 million. All of us recognize that one of the greatest causes of inflation is deficit financing. That is particularly true of the Federal Government, because the Federal Government can raise money by means of the printing press.

The PRESIDING OFFICER. The time of the Senator from Pennsylvania has expired.

Mr. KNOWLAND. I yield 1 additional minute to the Senator from Pennsylvania.

Mr. MARTIN of Pennsylvania. The dollar of 1940, using 1940 as the base, had dropped to a value of 58 cents in 1948, and has dropped to 48 cents at the present time. A continuation of the 7½-percent drop during the past 2 years will result in a 40-cent dollar in 5 years and a 30-cent dollar in 12 years.

These are things which all Americans must consider most carefully, because the decline in the value of the dollar has a greater effect upon those who have savings than upon any other class of people. It also has a great effect upon those having fixed incomes, fixed salaries, and fixed earnings.

For this reason, while I regret it very much, I must oppose the amendment.

Mr. BRICKER. Mr. President, will the Senator yield?

Mr. KNOWLAND. I yield a half-minute to the Senator from Ohio.

Mr. BRICKER. I placed in the RECORD a few minutes ago a tabulation from the Interstate Commerce Commission which shows that the loss from this amendment would not be more than $24 million, and that possibly a greater income to the Treasury would result than if the amendment were not adopted.

Mr. MARTIN of Pennsylvania. The information which I gave is the information which was given to our committee.

Mr. KNOWLAND. Mr. President, I yield 3 minutes to the Senator from Vermont.

Mr. FLANDERS. Mr. President, the whole excise tax system is a mess. I should like to see it completely eliminated, except for the taxes on gasoline, alcohol, and tobacco.

I am not unmindful of the argument which has been made that it is conceivable that the elimination of some of the excise taxes will actually result in an increase in the tax take of the Government. I would not want to foreclose, at some later time in the session, my study of that subject in properly prepared bills, after adequate hearings; and I would not want to foreclose the possibility of my giving support to such measures.

The particular bill before the Senate, however, is an extension bill. It is not a fit vehicle for a thoroughgoing examination of the effect which specific tax exemptions may have on increased production and employment.

I trust that the Senate will vote for the bill as a simple extension bill. I have my own hopes and expectations that the Senate will have coming over from the House bills which will be acceptable vehicles for considering the possibilities of a constructive elimination of excise taxes.

Mr. KNOWLAND. Mr. President, I yield 5 minutes to the Senator from Virginia.

Mr. BYRD. Mr. President, I realize that the excise tax on transportation is a very burdensome tax. But there are many burdensome taxes. If we start to repeal all the burdensome taxes, there will be a tremendous deficit, a deficit much larger than it is now.

The information which the Committee on Finance has is considerably at variance from the statement just made by the Senator from Ohio [Mr. BRICKER]. The Treasury Department has advised the committee that repeal of the excise tax on transportation of persons will result in a revenue loss of $225 million; and on transportation of property, $450 million.

So repeal of both of these taxes would result in a revenue loss of approximately $675 million.

Mr. President, I should like to read a part of a letter which, on June 17,

was addressed to me, as chairman of the Finance Committee, by the Treasury:

There has been considerable interest in recent years in proposals for reduction or repeal of the taxes on transportation. It is argued, for example, that the taxes are burdensome to consumers and businesses using the services. Another argument is that the taxes create competitive burdens on the companies providing these services and thus favor private transportation.

In evaluating the desirability of the transportation taxes, either individually or as a group, as part of the Federal excise tax system, consideration has to be given to the fact that arguments about burdens on consumers and sellers have been made with respect to many of the excises. Repeal of the taxes on transportation, therefore, would raise serious questions as to the necessity of according similar treatment in other excise areas where comparable arguments for repeal have been made. The revenue from the transportation taxes alone is about $725 million; the total involved in all cases where suggestions for repeal or reduction of excises has been made constitutes a significant portion of the total excise revenues.

Repeal of the tax on transportation of persons would be inconsistent with the recommendation of the President in his letter of May 26 to the Vice President and the Speaker of the House of Representatives for continuation without change of the corporation income tax and excise tax rates which, under present law, would be reduced on July 1. The President's letter in effect also supports retention of present rates on other excises where no reductions are scheduled under present law.

Mr. President, the pending bill will extend certain taxes which otherwise will expire on the 30th of June. The bill was passed by an overwhelming majority in the House of Representatives, and was approved, with only 2 or 3 dissenting votes, by the Finance Committee.

So I hope the pending amendment will be rejected, and that the bill as reported by the committee will be passed.

Mr. HUMPHREY. Mr. President, will the Senator from California yield to me?

Mr. KNOWLAND. I yield 1 minute to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 1 minute.

Mr. HUMPHREY. Mr. President, I thank the Senator from California for yielding 1 minute to me.

I wish to say that, as I have indicated before, I shall support the amendment of the Senator from Florida.

I understand that the amendment has now been divided into two parts; one, to repeal the excise tax on the transportation of freight; and the other, to repeal the excise tax on the transportation of passengers.

Certainly, both of these taxes should be repealed.

In that connection, let me point out that passenger traffic by bus, by railroad, and by the coach flights of the airlines—but particularly transportation by bus and transportation by railroad—constitute what we call the poor man's transportation; and a tax of 10 percent on it is not only discriminatory, but also is a regressive type of tax.

Mr. President, the case for the removal of this tax has been made again and again. Time after time in the Senate I have paid tribute to the Senator from Florida for pointing out the discriminatory effect of this tax on freight shipments, particularly on freight shipments in the West and the Far West.

Mr. President, this tax should be repealed. The theory of taxes is that they apply equally to all, and thus are just. But these taxes are unjust.

The PRESIDING OFFICER. The time yielded to the Senator from Minnesota has expired.

Mr. LAUSCHE. Mr. President, will the Senator from California yield some time to me?

Mr. KNOWLAND. I yield 2 minutes to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for 2 minutes.

Mr. LAUSCHE. Mr. President, I was a member of the Subcommittee on Surface Transportation, and I attended practically every meeting held by the subcommittee.

I have dissented from the opinion arrived at by the majority of the members of the subcommittee. In that connection, I have stated, in my individual views:

I favor the proposal that the 3-percent excise tax, now existent against freight transportation, be repealed, but not the 10-percent excise tax on passenger transportation. The testimony in the hearings conducted by the subcommittee clearly disclosed that the existence of the 3-percent excise tax against freight transportation has caused many private shippers to discontinue the use of public carriers, establish their own transportation system, and thus escape the paying of the tax. While there was evidence that passenger business was being increasingly lost to the air, bus carriers, and the private passenger automobile, in my opinion, it did not establish that the elimination of the passenger excise tax would restore to the railroads any part of the passenger business.

Mr. President, if these two proposals were connected, I would vote against both of them.

No proof of any character was offered to show that the railroads would regain their passenger business if the tax on the transportation of passengers were removed.

So I appeal to the chairman of the full committee and to the chairman of the subcommittee to separate the proposal for repeal of the 3-percent tax on freight transportation from the proposal for repeal of the 10-percent tax on the transportation of passengers.

Mr. President——

The PRESIDING OFFICER. The time yielded to the Senator from Ohio has expired.

Mr. KNOWLAND. Mr. President, I yield 1 additional minute to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for an additional minute.

Mr. LAUSCHE. Mr. President, I believe that passenger travel on the railroads will not be increased by removing the 10-percent tax on the transportation of passengers.

Mr. KNOWLAND. Mr. President, if agreeable to the Senator from Florida, I would ask unanimous consent to have a quorum call at this time, without having the time required therefor charged to the time available to either side.

Mr. SMATHERS. Certainly.

Mr. KNOWLAND. Then, Mr. President, I so request; and I suggest the absence of a quorum.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered; and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KNOWLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from California will state it.

Mr. KNOWLAND. On the first amendment, how much time remains to each side?

The PRESIDING OFFICER. The Senator from Florida [Mr. SMATHERS] has 5 minutes remaining under his control.

The Senator from California [Mr. KNOWLAND] has 8½ minutes remaining under his control.

Mr. KNOWLAND. Mr. President, I yield 8 minutes to the Senator from Oklahoma [Mr. KERR].

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 8 minutes.

Mr. KERR. Mr. President, I rise to oppose the amendment sponsored by the Senator from Florida [Mr. SMATHERS] and by other Senators.

It occurs to me that this amendment involves a rather unique situation, for it is the first time, so far as I know, when the members of one regular committee of the Senate have unanimously sponsored an amendment which relates to matters over which another responsible committee of the Senate has jurisdiction. Certainly that is their privilege. One of the members of that group is my distinguished colleague [Mr. MONRONEY], than whom there is no finer man, and than whom I have no better friend; but it would mean that one great committee was seeking to have enacted legislation with reference to which another great committee of the Senate has jurisdiction, although the enactment which that committee is sponsoring and trying to bring about would cost the Government some $750 million in revenue. I believe that is the total amount which would be lost by adoption of the entire amendment sponsored by the distinguished Senator from Florida and his colleagues.

Since they seek to take the responsibility of reducing the revenues of the Government by that much, they should at the same time make provision to replace the lost revenue.

As a member of the Senate Finance Committee I would be greatly appreciative to them if, as they seek thus to reduce the revenues required by the Government, they would suggest means to replace that revenue.

The 3-percent tax on transportation of property was enacted, I believe, in

1941. It has been urged, if not here, then in other places, that it was a wartime tax, and since the war is over the tax should be repealed. I ask Senators, Is the emergency over? Is the war paid for? Is there not as great a necessity today to provide money to wage the cold war as there was at that time to raise money to wage the hot war? Is there not as great a necessity to raise money to wage the fight or battle for peace as there was to wage war to preserve our liberty?

It has been urged that the proposal should be enacted to cure the ills of the railroads. If it would do that, I would favor it. In that regard, I desire to say that I favor the repeal of this tax, along with many other excise taxes, as soon as the financial condition of our Government warrants it. But let us look at the railroads. A few days ago the Senate passed an emergency measure, reported by the same committee, providing substantial relief for railroads. I ask the Senator from Florida if that amount was not $700 million.

Mr. SMATHERS. The measure was to underwrite guaranties for railroads that might need loans up to $700 million.

Mr. KERR. Up to $700 million. I know the Finance Committee last week agreed to an amendment which would give the railroads $145 million in tax relief, and denied similar relief to a great public utility which had an identical situation. We did it because we were told we should do so as a program for the relief of the railroads.

Mr. President, we are talking about a 3-percent tax on the transportation of property. The tax has been imposed on such transportation since 1941. I remind Senators that while the tax has been in effect railroads have had the greatest expansion in history; they have had their greatest growth in history; they have had their greatest prosperity in history. I remind Senators that since the tax was imposed to the extent of 3 percent on the charges for transportation of property, since 1942, railroads have come to the Interstate Commerce Commission, applied for, and received, increases in freight rates which total, I am informed, about 80 percent.

I ask the Senator from Florida to correct me now if I am incorrect.

Mr. SMATHERS. I did not hear the able Senator from Oklahoma.

Mr. KERR. I said that, during the time this tax has been imposed on the transportation of property by railroads, freight rates for such transportation have been increased, upon their application, in the neighborhood of a total of 80 percent.

Mr. SMATHERS. I would say that is a relatively correct statement, but, of course, everything else has gone up that much.

Mr. KERR. I realize that.

Mr. SMATHERS. The excise tax is not only a tax on railroads; it is a tax on medicine, food, farm equipment, the plow which a farmer follows through the field. Farmers have to pay the tax. Schoolchildren have to pay it.

Mr. KERR. I wonder if the Senator from Florida will make his speech on his own time and answer my question on my time.

In that interim I think the railroads have been before the Interstate Commerce Commission at least a dozen times seeking increases in transportation freight rates, and they have not once applied for an increase of as little as 3 percent. I remind Senators that those increases applied to the farmers' plows, medicines, and every other item of transportation which the railroads carry.

The increases in freight rates which have been provided the railroads by the Interstate Commerce Commission have been charged against the transportation of the same items of property which are affected by the tax we are now considering.

During the time this tax has been in effect, the railroads have asked for and have received increases in freight rates which total 80 percent or more.

Mr. President, if a 3-percent reduction in freight rates represents the difference between prosperity and adversity for the railroads, in the name of God, how can they justify an increase of 80 percent in the charges for transportation of property? It does not make any sense.

The PRESIDING OFFICER. The time of the Senator from Oklahoma has expired.

Mr. KNOWLAND. Mr. President, I yield 2 additional minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from California has one-half a minute remaining.

Mr. KNOWLAND. I yield it out of the 15 minutes remaining on the other part of the amendment.

Mr. MAGNUSON. I call the attention of the Senator from California to the fact that he can yield time on the other section of the amendment because the Senate is going to vote on both amendments at the same time, anyway. The Senator from California can yield up to 15 minutes, if he wishes to.

Mr. NEUBERGER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oregon will state his parliamentary inquiry.

Mr. NEUBERGER. Is the Senate going to vote on both parts of the amendment at the same time, or will there be a discussion of the second part after the vote on the first part of the amendment?

Mr. KNOWLAND. Mr. President, I assume there will be some discussion. However, I need additional time, having overdrawn my time account trying to take care of Senators who have requested time from me. So I yield 2 minutes out of the 15 minutes on the second section.

Mr. KERR. I thank the Senator. I shall conclude in that time.

Mr. President, I ask Senators, Is this the most burdensome tax on the books? The bill before the Senate is an emergency bill to extend taxes which would otherwise expire. If enacted, the bill will provide $2,600,000,000 of revenue. If this entire amendment is adopted, that of itself will take $700 million or $750 million of revenues away. Is the repeal of the excise tax under discussion more important than the repeal of the excise taxes on communications, local telephone service, telegraph service, admissions to theaters, tax on toilet preparations?

It has been said that the present recession is due to the lack of purchases of hard goods. Is the tax under discussion more important than the excise tax on automobiles, refrigerators, household appliances?

Mr. President, this amendment should, with courage and devotion to the financial integrity and stability of our Government, be voted down.

Mr. NEUBERGER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Oregon?

Mr. SMATHERS. I am happy to yield 3 minutes to the Senator from Oregon.

The PRESIDING OFFICER. The Senator from Oregon is recognized for 3 minutes.

Mr. NEUBERGER. Mr. President, this transportation tax is the most burdensome tax which is now on our statute books. The tax enters repeatedly and cumulatively into the cost of every necessity of life. It enters into the cost of the penicillin shot, into the cost of the baby's rompers, and into the cost of every ounce of food consumed by every single citizen in this country.

The tax is particularly burdensome on small business and small industry. An industry which is large enough to own its own fleet of trucks does not have to rely on common carriers and does not have to pay this 3-percent tax.

In my State, the leading lumber-producing State in the Nation, the small logger has to hire a common carrier to carry his logs and lumber, and he must pay the 3-percent tax.

The largest absentee lumber company is in the State of the distinguished Senator from California, and has its own fleet of trucks. Therefore, it starts off with a 3-percent transportation cost advantage over the small competitor, to say nothing of other advantages.

Furthermore and in conclusion, there is no other tax which so discriminates against two great regions of the country as does this tax, which discriminates against the Far West, from which I come, and which discriminates against the South, from which the distinguished junior Senator from Florida comes. We represent the regions farthest from their markets. These are the regions which have to go 2,500 miles in the case of the West or 1,000 miles in the case of the South to find a market for their products, as well as to buy many necessities for their consumers.

We beg Senators to take from the necks of western agriculture and western industry and southern industry the yoke of this burdensome 3-percent Federal freight tax.

Mr. SMATHERS. Mr. President, how much time do we have remaining?

The PRESIDING OFFICER. The Senator from Florida has 3 minutes.

Mr. SMATHERS. And an additional 15 minutes?

The PRESIDING OFFICER. And the additional 15 minutes; the Senator is correct.

Mr. SMATHERS. Mr. President, I am happy to yield 10 minutes to the distinguished Chairman of the Committee on Interstate and Foreign Commerce [Mr. MAGNUSON].

The PRESIDING OFFICER. The Senator from Washington is recognized for 10 minutes.

Mr. MAGNUSON. Mr. President, I hope I will not use the full time allotted. I want to take this opportunity to at least get the RECORD straight on the proposal which is before the Senate.

I think all of us appreciate the problem which faces the Senator from Virginia [Mr. BYRD], the Senator from Oklahoma [Mr. KERR], and the other distinguished members of the Committee on Finance with respect to taxation. I think we all appreciate we would like to have the Government take in as much money as it pays out. We have not been very successful in that attempt, whether it be under Democratic or Republican administrations.

In order to take in money it is necessary to tax. However, I think we all appreciate that when we impose a tax, the tax should be a just tax, an equal tax, and bear upon everybody alike, considering the ability to pay.

Surely, the action now requested may take something from the Treasury. The Senator from Ohio submitted figures. I am no financial expert or economist, but I have always felt that in many cases, the excise taxes do more harm to the Treasury than good, unless they are taxes on absolute luxuries. In the past, when we have repealed some excise taxes which were not on items in the nature of luxuries, we found the Treasury collected almost as much money as a result of the stimulation of business and the economy as was lost in the tax repeal.

I do not think the members of the Committee on Interstate and Foreign Commerce particularly enjoy saying to the members of the Committee on Finance, "We should like to have this particular tax repealed." However, our committee deals with all the transportation economy of the United States. We have to sit day after day to listen to the transportation problems, whether they be economic, legislative, or administrative.

There is one thing we have found to be true as we have considered transportation matters. The amendment is not necessarily the amendment alone of the Senator from Florida, but is an amendment which was thought of, voted on, discussed and talked about long before the railroad representatives came before our committee. The possibility of the repeal of this tax has been under consideration for a long time.

This amendment really is an amendment for the relief of railroads. It is an amendment to remove what we in our honest opinion have discovered and found to be a discriminatory tax.

I voted today for the amendment of the Senator from Michigan affecting the automobile excise tax, because I do not believe in excise taxes on items other than luxuries, and I do not consider an automobile to be a luxury any longer. However, one does not have to buy a new automobile. One does not have to go to the theater. One does not have to use the telephone.

The tax we are now discussing is a tax which hits everybody, if he simply sits still. The farther a commodity is transported the more discriminatory the tax becomes. We have figures about that. I talked them over with the Senator from Oregon. In one case, in 4 items out of 5 going to the marketplace, from the great raw material centers, we found the tax was multiplied 11 times before the raw product in finished form reached the consumer.

I think there is some justification for the removal of the tax now. I appreciate the position of the Senator from Virginia, and I know that none of us would like to open Pandora's box on excise tax matters. However, I know that no Member of the Senate wants to keep a discriminatory tax on the people of the United States.

The Senator from Oklahoma asks, "Where shall we raise the money?" Let us raise it through an equal and nondiscriminatory tax. That is the system I would use to raise it.

We are discussing the sort of tax which caused much trouble in this country, long before we were born. We are discussing a tax which is not fair, a tax which touches everything. It was levied during a period of war under the guise of an excise tax, along with other excise taxes which were imposed supposedly on luxuries. If Senators will read the history of the tax, they will find it was imposed at the time to discourage travel and to discourage loading freight cars with commodities which would interfere with military transport. Since that is no longer necessary, we propose the repeal.

I have no objection to raising excise taxes on luxuries, but I think this is a different kind of tax. I do not know why it was imposed, other than to discourage civilian shipments.

Last year the tax brought in to the Treasury about $700 million in revenue; that is true. However, I think Senators will find, as the Senator from Ohio so ably pointed out, that the repeal of the tax, which affects all forms of transportation, will probably bring into the Treasury almost as much money as would be lost.

This is a tax which affects the cost of almost every article we buy.

If this is an amendment for the relief of railroads, I wish to point out it might be called an amendment for the relief of all common carriers.

The Senator from Nevada pointed out an instance in his State, which is a raw material State, with long hauls to market, where the use of any common carrier has been completely abandoned, whether it be a railway, truck, or coastal steamship, simply to avoid the tax.

Mr. THYE. Mr. President, will the Senator yield for a question? I am sympathetic to and in full agreement with the Senator's position.

Mr. MAGNUSON. I yield. I only have a few minutes.

Mr. THYE. The little widow from Midwest, or the State of Washington, who comes here to see her son, who is stationed in a military camp in the area of the District of Columbia, is paying an enormous tax for the privilege of riding on a train, in an airplane, or in a bus. She is not using the bus or train as a luxury. It is a means of getting here to see her son; and yet she is compelled to pay an enormous tax. I say it is an unjust tax, and that is the reason why I shall support the pending amendment.

Mr. MAGNUSON. Mr. President, I appreciate the Senator's statement.

I could place in the RECORD a great deal of material showing how this tax adds to the cost of living. The Senator from Minnesota referred to someone traveling from the Far West or from the Middle West. I do not like to use the word "widow."

Mr. THYE. If the Senator will yield further, the very person to whom I referred was in my office today, and I know exactly what she paid in transportation tax, because I know what the tax is from that particular area.

Mr. MAGNUSON. In my home town, agents from Vancouver and British Columbia were selling tickets for transportation over Canadian railroads, so that when one traveled east he would not have to pay the tax. I understand Canada has now done something about that.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. LAUSCHE. It is a fact, is it not, that under the terms of the amendment, excise tax relief would be granted to the regulated truck carriers, airlines, railroads, and barge carriers on the inland waters? It is directed at all modes of transportation, is it not?

Mr. MAGNUSON. The Senator is correct. We passed a bill which we hope will aid the railroads. The relief was of a somewhat temporary nature, as members of the committee know. Other forms of transportation were a little more fortunate in their economy. Every member of my committee knows that in the long run the economic health of our common-carrier system of transportation depends upon the extent to which private transportation is used in the United States.

We talk about relief for railroads, truck lines, bus lines, and other forms of transportation. In my opinion, if we drive shippers to private transportation, notwithstanding all the bills we may pass, we drive the railroads and other common carriers out of business.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MAGNUSON. Mr. President, I ask unanimous consent to place in the RECORD some figures to which I have referred.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE TAX THAT NOBODY APPROVES—WHY IT SHOULD BE REPEALED

Here is a tax that no one—no Government agency, no private individual, no area—has testified is good, fair, or beneficial.

It is a tax on a necessity, not a luxury.

It is a tax on the flow of commerce, not a tax on goods.

It pyramids the cost of living by adding to the transportation costs at successive stages of manufacturing, marketing, and distribution.

It increases the burden on users who can least afford it in a competitive market.

It discriminates against for-hire transportation in competition with private transportation.

It favors travel in foreign countries as opposed to travel in the United States.

It undermines the for-hire transportation industry—the lifeline of our economy.

The present taxes on the transportation of persons and property carried by for-hire carriers were for the most part levied as emergency revenue measures for the conduct of World War II. In the case of the tax on transportation of persons, there was the added purpose of discouraging unnecessary civilian travel. The taxes were not intended as parts of the permanent rate structure.

Yet they have continued to burden the public and to threaten the well-being of an industry essential to the national defense, an industry which in times of war and national emergency moves the largest share of troops and equipment and vital supplies.

Moreover, the shippers of commodities least fitted to pay the tax have borne an unequal share of the tax burden. An outstanding example is agriculture. Agricultural products are estimated to have paid 22 percent of the tax on freight movements collected between 1943 and 1948.

The for-hire transportation agencies must have the capacity and facilities necessary for the flow of commerce and the national defense; and this can only be accomplished by permitting them to compete for the available volume of traffic. Excise taxes add one more disrupting influence on an industry that is already plagued with restrictive regulation and unequal competition.

The country's railroads, its airlines, truck and bus companies, and water carriers are caught between increased costs and rate competition among themselves and from unregulated and private transportation. The excise taxes not only increase the prices the users of their services must pay, but also make them involuntary collectors of a tax which drives business to private operations.

EXCISE TAXES ON THE TRANSPORTATION OF PERSONS AND PROPERTY

When did these taxes originate?

	Percent
1932 Crude oil and products pipelines	4
1940 Crude oil and products pipelines added	½
1941 Passengers (for-hire)	5
1942 Passengers (for-hire) raised to	10
1944 Passengers (for-hire) raised to	15
1954 Passengers (for-hire) lowered to	10
1942 Freight (except coal—see below)	3

What was their purpose?

Emergency and defense revenue; and in the case of passenger tax, to discourage civilian travel when public transportation was over burdened with movements of people and supplies for war.

What is the present tax rate? [1]

Three percent on freight moved by for-hire carriers by air, rail, motor vehicle, water, and freight forwarder,[2] except for coal, which is at the rate of 4 cents per short ton, 4½ percent on movements by pipeline, 10 percent on passengers carried by for-hire transportation agencies: air, rail, highway, and water.

Who pays the tax?

The users in the case of the 3 percent and 10 percent taxes; the carriers in the case of 4½ percent pipeline tax.

Who collects the tax?

Pipelines pay taxes direct to the Government. The other carriers collect the taxes from the users and then turn them over to the Government.

What happened to the transportation tax in World War I?

Emergency transportation tax of persons and property was first imposed in 1917 as a war emergency; repealed, effective January 1, 1922.

Has Canada a transportation tax?

Canada repealed its 15 percent passenger transportation tax in March 1949.

How much has been collected from these taxes?

Transportation excise taxes

[In thousands of dollars]

Fiscal year ending June	Crude oil and products pipelines	Passenger	Property	Total
1933–41	95,827			95,827
1942	13,475	21,379		34,854
1943	13,672	87,132	82,556	183,360
1944	15,851	153,683	215,488	385,022
1945	16,286	234,182	221,088	471,556
1946	14,824	226,750	220,121	461,695
1947	16,988	244,003	275,701	536,692
1948	18,773	246,323	317,203	582,299
1949	19,325	251,389	337,030	607,744
1950	18,919	228,738	321,193	568,850
1951	24,946	237,617	381,342	643,905
1952	26,881	275,174	388,589	690,644
1953	28,378	287,408	419,604	735,390
1954	30,106	246,180	396,519	672,805
1955	33,458	200,465	398,039	631,962
1956	35,681	214,903	450,579	701,163
Total	423,390	3,155,326	4,425,052	8,003,768
Total since World War II (approximate)	268,279	2,658,950	3,905,920	6,833,149

What are the effects of these taxes on passengers and property?

They add to the cost of living:

1. In the transition of raw material to a finished product, it has been estimated that in the case of certain essential commodities transportation is used 11 times. A 3-percent tax thus can pyramid into tax upon tax and these amounts will usually be included in the retail prices which the consumer must pay.

2. Since more than one-third of passenger transportation, very conservatively estimated, is for necessary business travel, the taxes on this transportation will obviously be included in the operating expenses of the companies incurring them and passed on, at least partially, in the pricing of products.

3. The task of collecting the passenger and freight transportation taxes is borne by the carriers. Whatever the amount (and it is at least several millions of dollars each year), it must be included in operating expenses of the carriers and thus affects the level of rates and fares. In the case of pipelines, the entire amount of the tax must be borne as an operating expense.

4. In the case of rail passenger transportation, inadequate passenger revenues, caused in part by the discouraging effects of the tax on travel, must be recovered from freight transportation, by increases in rates. In connection with ex parte 175 the ICC has stated: "the drain which the passenger-train service makes on freight revenues was an important factor in our decision to permit increases in ex parte 175."

Mr. KERR. Mr. President, will the Senator from California yield me 2 minutes?

Mr. KNOWLAND. Mr. President, I yield 2 minutes to the Senator from Oklahoma.

Mr. KERR. If by repealing taxes we can increase revenue, as stated by the Senator from Washington, let us repeal them all, and have sufficient increase in revenue to pay all the cost of Government and the national debt.

The Senator from Washington has said that this is the one tax which is paid by everyone, and therefore it is discriminatory. If a tax is paid by everyone, it seems to me that that is one tax which is not discriminatory.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. KERR. The Senator can answer on his own time.

I should suppose that if a tax were paid by everyone, and was therefore discriminatory, it would enhance the appropriateness and justice of those taxes which are paid only by limited numbers and groups much fewer in number than the entire population.

Mr. MAGNUSON. Mr. President, may I have 1 minute?

Mr. SMATHERS. I yield 2 minutes to the Senator from Washington.

Mr. MAGNUSON. The Senator from Washington was talking about excise taxes. No Member of this body knows better than does the Senator from Oklahoma the difference between income taxes, excise taxes, real estate taxes, and other forms of taxes.

This tax, under the guise of an excise tax, is paid by everyone, but it is discriminatory. Some pay a different amount than others; but everyone is caught somewhere by the discrimination.

Mr. KERR. Is it not a fact that travelers pay the tax only when they travel, and shippers pay it only when they ship?

Mr. MAGNUSON. One can sit at home, and yet pay this tax every day. Every time he takes a bite to eat he pays this tax. One does not need to travel, or do anything else. He can merely sit at home. The tax is passed on to the consumer in connection with everything that comes to him—even a box of aspirin.

I am not talking about repealing all taxes. The reason we say that a repeal of these excise taxes will bring more money into the Treasury is that it will

[1] There are some exemptions from these taxes, such as on shipments for export, fares under 60 cents, etc.

[2] In the case of freight forwarders, who use other forms of transportation, provision is made so that the same movement of goods is not taxed twice.

stimulate business and the economy to the extent that other taxes will be paid in greater amounts. That is what I meant. I hope I was understood.

Mr. MORSE. Mr. President, does the Senator from California have any time left?

Mr. SMATHERS. Mr. President, I yield 1 minute to the Senator from Oregon.

Mr. MORSE. Usually I find the Senator from Oklahoma very persuasive, but this time I do not agree with him.

The transportation excise tax was levied for two purposes; namely, to raise revenue and to discourage civilian transportation during the war.

The Senator from Oklahoma says that the war is over, but the emergency is not over. I say that the need for discouraging civilian transportation is over. To meet the cold war we need to expand the economy so that we can be strong on the economic front.

The Senator from Oklahoma says that since 1941 the railroads have enjoyed the greatest expansion in history. It was a wartime expansion, an expansion encouraged by the Government so that the railroads could meet the war needs.

Since then we have had to have an 80-percent increase in freight rates, the Senator states, in order that the railroads might come somewhere near staying in the black. The railroads do not get the 3-percent transportation tax. The railroads are not the beneficiaries.

The burden of this tax is placed upon the consumer. It discourages buying at the very time we ought to be encouraging buying.

Mr. MAGNUSON. Mr. President, will the Senator from Florida yield me 1 minute?

Mr. SMATHERS. I yield 1 minute to the Senator from Washington.

Mr. MAGNUSON. This is really not a direct argument for the amendment, but I think it is indicative of what we are doing. I ask unanimous consent to place in the RECORD a statement showing what we have turned over to European rail systems, to the tune of $557 million.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

WHEN IN ROME—

American tourists in Italy invariably exclaim with delight when they first set eyes on Rome's imposing new railway station—a mile-long marble and glass edifice that is as big as all the railroad stations in New York, Chicago, and Cleveland combined, and much, much fancier.

"Why," sighs the dazzled tourist, "don't we have railroad stations like this back home?"

The answer is simple. While the United States Government does not finance the construction of railroad stations for its own citizens, it does finance them, and handsomely, in such faraway places as Rome.

And stations aren't all. In the last decade United States taxpayers, through a little gimmick known as counterpart funds, have shelled out over $1.3 billion to help support the socialized transportation systems of foreign countries. Over half of this—some $557 million—has gone to foreign rail systems to finance such projects as the Rome station.

For example, America's taxpayers have generously turned over $442.5 million to Europe's rail systems, including $220.8 million to Italy's railroads, $125.1 million to France's SNCF, $18,400,000 to the German Federal Railway, and $11 million to Yugoslavia's railroads.

Where the money went

Austria	$52,100,000
France	125,100,000
Germany	18,400,000
Italy	220,800,000
Norway	2,700,000
Portugal	1,400,000
Spain	9,700,000
United Kingdom	1,300,000
Yugoslavia	11,000,000
Others (estimated)	114,500,000
Total	557,000,000

It is harder to determine just how much went to the railroads of the Near East, south Asia, the Far East, and Latin America, since these areas report transportation aid without distinguishing between rail, air, highway, and water transport. But if, as in Europe, they got half of all aid earmarked for transportation, their share was $114 million.

This $557 million which the United States has turned over to foreign railroads does not, of course, include some $600 million that has gone to these same railroads in dollar loans which presumably will be paid back (see Diesels, Dollars and Diplomacy, RP, August 1956).

This half-a-billion-dollar bonanza, which won't be paid back, came out of a little understood lump of money called counterpart funds.

Whenever the United States Government extends dollar aid to foreign countries—outright grants, not loans—the recipient country generally puts up an equal amount of cash in its own currency, in effect buying the dollars. This United States-created counterpart fund is then spent by the recipient country on mutual-security objectives agreed to jointly with the United States.

It works that way, with some variations, throughout the world. Between April 1948 and June 30, 1957, United States aid dollars generated counterpart funds totaling over $15 billion. Aside from the $1.3 billion of this which went to bolster the world's socialized rail, air, and truck lines, most of the funds went to bolster faltering nationalized industries, such as coal and steel interests.

In a recent report entitled "Foreign Aid as a Subsidy to Nationalized Industries," the Library of Congress, posing the question as to whether United States financial aid has supported nationalization schemes abroad, concluded:

"Clearly the answer is 'Yes.' Although it is true that the degree to which the success of such programs should be attributed to foreign aid cannot be determined, it stands to reason that nationalization programs have been aided both directly and indirectly by postwar financial aid."

However most United States citizens feel about foreign aid, they must see a certain irony in all this. While heavy taxation is slowly but surely destroying its own rail passenger service, the United States is busily financing lavish passenger facilities for the citizens of other nations. And, in a country which loudly proclaims its dislike for socialism, United States railroads are being forced to wage a desperate battle to avoid the very socialism which the United States denounces at home and supports abroad.

Mr. KNOWLAND. Mr. President——

The PRESIDING OFFICER. How much times does the Senator allot himself?

Mr. KNOWLAND. Mr. President, I yield myself 3 minutes.

I rise to support the bill as passed by the House of Representatives after being reported by its Ways and Means Committee; the bill as reported by the Finance Committee of the Senate under the leadership of the distinguished Senator from Virginia [Mr. BYRD]; and the bill as supported by the administration.

Under other circumstances many of us would like to support legislation repealing the transportation tax on property and on persons, as well as repealing some of the other onerous taxes in the excise tax field and in the field of general taxation which bear heavily upon the American people.

But, Mr. President, as the distinguished Senator from Virginia pointed out yesterday, and as other Senators have pointed out on this floor, the cold, hard facts of the budgetary situation are that on the 30th of June of this year, at the close of the fiscal year, we shall be facing a deficit of some $3 billion. The lowest estimates as to the possible deficit for the next fiscal year are between $7½ billion and $8 billion. One of the high estimates mentioned by the Senator from Virginia, based on studies of the Joint Tax Committee, reaches a level of more than $11 billion.

It seems to me that when an amendment of this kind is added to the general tax extension bill, we run the risk of opening the door to other amendments which might very well jeopardize the revenue system of the Federal Government at a time when we dare not let down our guard so far as the Soviet Union and international communism are concerned.

If we needed any reminder of the fact that this is not time for our Nation to relax, we should have received it by the warning of the execution of Nagy and Maleter.

Mr. President, I do not know that what any of us has said on the floor today has changed any vote or will change any vote. I do say that fiscal responsibility requires that we maintain our tax structure and that we not start cutting down taxes unless we can show the source whence other revenues will come to replace that derived from such reduction.

Mr. President, for that reason, although I, too, come from the West, from an area which favors a reduction in this and in other excise taxes, I shall support the position of the administration, the position of the House of Representatives, and the position of the Committee on Finance; and I express the hope, at least, that the amendment will be defeated.

The PRESIDING OFFICER. The question is on agreeing to the first branch of the amendment offered by the Senator from Florida [Mr. SMATHERS] on behalf of himself and other Senators. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ERVIN (when his name was called). On this vote I have a pair with the able and distinguished junior Senator from Washington [Mr. JACKSON]. If he were present and voting,

he would vote "yea." If I were permitted to vote I would vote "nay." I withhold my vote.

Mr. MORTON (when his name was called). On this vote I have a pair with the Senator from Arizona [Mr. GOLDWATER]. If he were present he would vote "yea." If I were permitted to vote, I would vote "nay." I withhold my vote.

Mr. DIRKSEN (when his name was called). On this vote I have a pair with the distinguished Senator from Maine [Mr. PAYNE]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withhold my vote.

Mr. CASE of New Jersey (when his name was called). On this vote I have a pair with the Senator from Indiana [Mr. JENNER]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], the Senator from Montana [Mr. MURRAY], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I further announce that if present and voting, the Senator from Tennessee [Mr. GORE], the Senator from Montana [Mr. MURRAY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business because of duty with the Air Force, and his pair has been previously announced.

The Senator from Indiana [Mr. JENNER] is necessarily absent, and his pair has been previously announced.

The Senator from Maine [Mr. PAYNE] is absent on official business, and his pair has been previously announced.

The result was announced—yeas 59, nays 25, as follows:

YEAS—59

Allott	Hruska	Neuberger
Barrett	Humphrey	O'Mahoney
Beall	Ives	Pastore
Bible	Javits	Potter
Bricker	Johnston, S. C.	Proxmire
Butler	Jordan	Purtell
Capehart	Kefauver	Revercomb
Carroll	Kennedy	Russell
Church	Langer	Schoeppel
Clark	Lausche	Smathers
Cotton	Long	Smith, Maine
Douglas	Magnuson	Sparkman
Dworshak	Malone	Symington
Fulbright	Mansfield	Talmadge
Hayden	Martin, Iowa	Thurmond
Hennings	McClellan	Thye
Hickenlooper	McNamara	Watkins
Hill	Monroney	Wiley
Hoblitzell	Morse	Young
Holland	Mundt	

NAYS—25

Aiken	Curtis	Kuchel
Anderson	Eastland	Martin, Pa.
Bennett	Ellender	Robertson
Bridges	Flanders	Saltonstall
Bush	Frear	Smith, N. J.
Byrd	Green	Stennis
Carlson	Johnson, Tex.	Williams
Case, S. Dak.	Kerr	
Cooper	Knowland	

NOT VOTING—12

Case, N. J.	Goldwater	Morton
Chavez	Gore	Murray
Dirksen	Jackson	Payne
Ervin	Jenner	Yarborough

So the first branch of the amendment offered by Mr. SMATHERS on behalf of himself and other Senators was agreed to.

Mr. SMATHERS. Mr. President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. MAGNUSON. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). The question now is on agreeing to the second branch of the amendment offered by the Senator from Florida.

Mr. SMATHERS. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Florida has 5 minutes remaining; the Senator from California has 8 minutes remaining.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. MAGNUSON. The Senator from Florida and I will not take the time of the Senate further. I had intended to speak on this matter; instead, I ask unanimous consent that my statement be printed at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MAGNUSON—THE AIRLINES MUST HAVE RELIEF FROM THE TRANSPORTATION TAX

Years after the termination of World War II, the transportation tax is still operating to discourage the use of public forms of transportation. The airlines as well as the railroads and other public common carriers are in a critical financial condition. They are a depressed industry. Our airlines are committed to invest close to $3 billion in jet aircraft in the next 4 years. This is almost three times the present value of all of their operating equipment. If the airlines are to meet these commitments, they must have increased traffic and earnings. The Chairman of the Civil Aeronautics Board has stated that repeal of the transportation tax "would reduce the cost of air transportation to the consumer below what it would otherwise be and there is every reason to believe that, as a consequence, additional traffic would be stimulated." He further stated that "the traffic increase that this reduction in the cost of air transportation would produce is of great importance to the air transportation industry." If the airlines are to meet their commitments for new aircraft, they must have increased traffic and earnings. These commitments must be met because our supremacy in air transportation depends on them. The Defense Department is relying heavily on the airlines and their new equipment for logistic support. Defense officials have indicated publicly that they are not planning to acquire jets for transport purposes. The major part of the airlines' new equipment will become available to the Defense Department in case of national emergency. As the Chairman of the CAB has stated, "the stimulus to traffic, which the repeal of these taxes would bring about, is most important to the national defense as well as to the sound development of civil aviation."

The bulk of the airline revenues come from passenger business. The 10-percent tax discourages that business. The airlines are operating with increasingly lower load factors. They have plenty of empty seats. They need the stimulus which the repeal of this tax would provide.

The 10-percent tax is a tax on people. Last year the people of this country bought 500 million transportation tickets and paid a 10-percent tax on each ticket. The tax produces about $220 million in revenue, only approximately half as much as the 3-percent tax.

The tax cannot even be defended on the ground that it produces a significant amount of revenue. The substantial cost of collecting the transportation tax is a deductible business expense. The loss of business resulting from diversion of traffic from public forms of transportation to private carriers substantially reduces the income taxes paid by public carriers. The transportation tax paid on shipments by business organizations and on business travel is deductible for Federal income-tax purposes. When all of these factors are considered the net yield from the transportation tax is not significant.

The most iniquitous thing about this tax is that it is a "See America last" tax, since it applies only to domestic travel. There is increasing evidence, and all you need to do to confirm this is to talk to a travel agent, that it is serving very effectively to divert travel to foreign carriers and to foreign countries to the detriment of the domestic travel business and the domestic carriers including especially the airlines. This is not only illogical but uneconomical as well.

Let us not continue to push down our airlines and our other common carriers on which this country is so dependent. Let's get rid of these taxes right now.

Mr. WATKINS. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. WATKINS. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement I have prepared on this subject.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR WATKINS

I shall discuss the amendments offered by Senator SMATHERS to H. R. 12695. It seems to me there are three compelling reasons why the 3-percent excise tax on freight shipments and the 10-percent excise tax on passenger transportation ought to be repealed. These reasons are:

1. Removal of such regressive taxes as these should provide all the stimulation that is needed to bring about a resumption of general economic growth and stability.

2. Removal of these two taxes constitutes a peacetime tax reform, based on the merits of the matter, which is long overdue.

3. These excise taxes discriminate against producers, manufacturers, and consumers of some sections of the country, who are least able to absorb such a cost and still stay in business, and/or maintain levels of living as high as their counterparts in more favorably situated parts of the country.

I shall elaborate now in some detail why I believe these reasons dictate the need for passage of the Smathers amendments.

A year ago I voted against any amendments to a similar tax bill, H. R. 4090. One of the reasons I did so was that the economy during the second quarter of 1957 was producing goods and services at a rate of $435.5 billion. We truly were riding the crest of the expansion phase of the business cycle. At the same time, however, the Congress was being asked to approve a $71.8 billion budget—the highest peacetime budget request in history up to that point. Inflation was then a major concern, the consumer price level index having risen by over 3.5 percent during the preceding 12-month period.

Under these conditions, I thought it unwise to curtail Federal revenues when we did not then know the probable level of Federal spending, and with the "beast of

inflation" continuing on what seemed to be an unchecked rampage.

Today, although inflation is and ought to be of concern in spite of the economic downturn, which became evident in the third quarter of 1957, of even greater concern is the need for taking steps which will expedite the resumption of economic growth and stability as soon as possible, without accompanying marked inflation. While the basic purpose of taxation is to raise revenue to finance expenditures authorized by the Congress, the level and kind of taxes have an important impact upon the economy. This I believe we all recognize. While I do not believe the decision to adopt or reject this amendment ought to be made solely on the need for tax reduction to stimulate economic growth, nevertheless there is more than a casual relationship. Elimination of these taxes will serve this end in my judgment.

In light of (1) the recent increases in industrial production—coal, electric power, steel (Business Statistics, June 6, 1958), (2) the decline in unemployment of 200,000 in May, "a slightly larger than usual drop for this time of year" according to the Secretary of Labor (Combined Employment and Unemployment Release: May 1958), and (3) the steady monthly increase in new residential housing starts since February of this year, I believe the economy is near the end of the recession and about to resume an upward expansion. If tax reduction is needed to stimulate economic growth again, under these conditions, then I believe the kind called for is that embodied in the Smathers amendment—not general tax reduction.

This is because the excise tax on transportation, as Senator SMATHERS pointed out on June 3, 1958, to the Senate "applies to everybody and everything. It is a tax on the transportation of people, food, medicine, clothing, machinery, gasoline, and almost every other item that goes into our daily living." (CONGRESSIONAL RECORD, p. 9977.)

Repeal of these excise taxes does not constitute class legislation. The amendment is not a tax relief measure designed for the exclusive benefit of a particular group. If my mail has taught me one thing about the economic effects of the transportation excise taxes it is that all segments of the ecoonmy would benefit from their removal. I have had such expressions of sentiment from manufacturers, wholesalers, retailers and consumers of almost every type and kind of business and product which go to make up our economy.

The Smathers amendments, if enacted by Congress, should benefit every consumer in America if—and I emphasize the word "if"—the tax reductions they provide for are in fact passed on to buyers and consumers at every merchandising and marketing stage by manufacturers, wholesalers and retailers. I am well aware that the shifting of tax reductions to consumers in the form of lower prices is somewhat less than perfect.

Since there is no assurance that prices will be reduced by the amount of the tax reduction, I can only say this to the American business community: If Congress removes the transportation taxes, be sure you pass these savings on to your consumers. If you do not pass these tax benefits on to your customers in the form of lower prices, these are the results which likely can be expected: (1) The economy will not get the boost which this tax cut could have given it. This will mean more prolonged unemployment and suffering for some workers and their families who produce the goods you sell; (2) the Federal Government will have lost an estimated $697 million of initial revenue, as well as a much greater amount which it should get in the long run through other taxes as a result of increasing economic activity caused by repeal of these excise taxes. In a few words, the tax repeal will have been self-defeating, and inflation, due in part to increased Government spending, will continue to rob millions of Americans of a portion of the necessities of everyday living which they otherwise would receive.

The second reason why I support these amendments, apart from the stimulating effects repeal of the transportation excise taxes would have upon the economy, is that these taxes ought to be repealed because the conditions which led to their enactment no longer prevail. The passenger tax was first imposed before our entry into World War II, at a time when Congress began appropriating billions of dollars for a much needed defense program. It was imperative that we pay for as much of our defense effort, and later the prosecution of the war, as possible out of current tax revenues. New sources of tax revenue were needed for this purpose. Thus the excise tax on passenger transportation. In 1942, the 5 percent passenger tax was doubled, and a 3 percent freight excise tax was imposed. This action was taken by the Congress not only to increase tax revenues to help pay for the war effort, but to discourage civilian and non-essential use of common carrier transportation, especially the railroads.

Well, World War II has been over 13 years now, and the Korean war for 5 years; yet one reason after another has been advanced year after year to keep the wartime excise taxes on the statute books. I am beginning to believe there is much to the old saying that nothing is so certain as death and taxes.

No one has been more desirous than I of maintaining a balanced Federal budget; but when one of the major results of the current economic situation has been a budget deficit due to decreased revenues resulting from a decline in economic activity, then I believe we ought to repeal the kind of taxes which constitute a permament drag on the economy, even though the initial effect may be to reduce revenues somewhat. Especially is this so if there is reason to believe that the removal of the tax ultimately will increase other tax revenues and thus contribute to smaller future budget deficits or budgetary surpluses.

But there is another aspect of this matter to which we should devote attention also. That is the effect these wartime taxes have had upon our common carrier transportation system and the people who live in the great but nevertheless diverse sections of our country, economically speaking, and who are served in different degrees by this transportation system.

When taxes become so oppressive as to kill the subject of taxation, it is time that we give the subject some relief. I believe these excise taxes in this respect have contributed to the difficulties experienced by the railroads.

Only last week the Senate passed S. 3778, a measure known as the Transportation Act of 1958, because a majority—yes, an overwhelming majority—of the Senate was convinced that the railroads of this country needed assistance. Although the Committee on Interstate and Foreign Commerce could not report out a bill providing for elimination of the transportation excise taxes, nevertheless in its report, the committee recommended repeal of these taxes based on the firm conviction that to do so "would do a great deal to improve the depressed condition of the railroads." (Senate Report 1647, p. 25.) In part concerning this matter the committee report states:

"These taxes were established as temporary measures during wartime and unfortunately no termination date was provided in the original legislation. Repeal of these taxes will be helpful not only to the railroads but to the general economy because the transportation tax applies to every successive stage of production from raw material to finished product. If there are five transportation movements of an item, there are five 3-percent individual tax assessments on the transportation cost, causing a total cumulative effect which is extremely serious. The 3-percent transportation tax encourages shippers to provide their own fleet of private trucks, thereby causing a loss of business to regulated carriers. The small-business man often cannot buy his own trucks so he is penalized by having to use common carriers and pay the transportation tax. Thus, from the point of view of the transportation industry and the consumer, removal of these unsound and burdensome taxes would be an immediate help both to economic recovery and to improving the health of the regulated industry (p. 25).

Not only have these taxes served to cripple the common-carrier system, but also they have placed producers, manufacturers, wholesalers, retailers, and consumers in some parts of this country, who must depend primarily upon land-based common carriers transportation, at a distinct economic disadvantage. Of course, I am speaking of people who live in the intermountain States and other parts of the country and who do not have access to cheap water transportation.

For example, livestock producers in my State, since Utah is a deficit feed-producing area, must ship not only expensive feeds into Utah in order to fatten their cattle, but also they must then ship the cattle to the west coast markets for ultimate sale. The 3-percent transportation tax must be paid by them on both transactions. As prices paid by farmers in general have continued to rise, this tax has become more irritating to farmers and stockmen. It has placed them in a position where it is getting more difficult for them to compete with producers from other States so as to even maintain their traditional markets.

Consumers in my State, as well, get less in the way of product value received for each dollar spent than do people served by cheaper water transportation facilities, since most of the items they buy must be shipped into Utah by land-based common carriers which even without the transportation tax is more expensive. The transportation tax thus robs them of a portion of their hard-earned dollars and they must necessarily be satisfied with lower levels of living than they would otherwise.

On the other hand, many of our newly established metals prefabricating industries find that the transportation tax prevents them from gaining access to new markets in more populated areas than Utah. Many lose sales simply because of price differentials due entirely to the amount of the transportation tax alone.

These people, I am sure, would not object to such tax discrimination if we were at war and such a tax would contribute substantial revenue needed to successfully prosecute a war. Many of them would not object to this tax if its maintenance meant the difference between a balanced Federal budget or a deficit under expanding economic conditions. But neither of these conditions prevails. We are not at war, and we will likely have a three and one-half to four billion dollar budget deficit in fiscal year 1958 and probably an eleven to twelve billion dollar deficit at the end of fiscal 1959, regardless of whether we do or do not repeal these particular excise taxes. Under these circumstances, and because I believe that the repeal of these taxes, by stimulating consumption, will ultimately result in greater tax revenues from other sources, I cannot help concluding that the general public interest requires the adoption of the Smathers amendment.

Mr. SMATHERS. Mr. President, I yield back the remainder of my time.

Mr. KNOWLAND. Mr. President, if

there are no further requests for time, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the second branch of the amendment offered by the Senator from Florida. On this question the yeas and nays have beeen ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CASE of New Jersey (when his name was called). On this vote, I have a live pair with the Senator from Indiana [Mr. JENNER]. If the Senator from Indiana were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withhold my vote.

Mr. DIRKSEN (when his name was called). On this vote, I have a live pair with the Senator from Maine [Mr. PAYNE]. If the Senator from Maine were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withhold my vote.

The roll call was concluded.

Mr. MANSFIELD. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], the Senator from Montana [Mr. MURRAY], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I further announce that, if present and voting, the Senator from Tennessee [Mr. GORE], the Senator from Washington [Mr. JACKSON], the Senator from Montana [Mr. MURRAY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Arizona [Mr. GOLDWATER] is absent on official business, because of duty with the Air Force.

The Senator from Indiana [Mr. JENNER] is necessarily absent; and his pair has previously been announced.

The Senator from Maine [Mr. PAYNE] is absent on official business; and his pair has previously been announced.

The Senator from Arizona [Mr. GOLDWATER] is paired with the Senator from Vermont [Mr. FLANDERS]. If present and voting, the Senator from Arizona would vote "yea", and the Senator from Vermont would vote "nay."

The result was announced—yeas 50, nays 35, as follows:

YEAS—50

Aiken	Holland	Neuberger
Allott	Hruska	O'Mahoney
Barrett	Humphrey	Pastore
Beall	Ives	Potter
Bible	Johnston, S. C.	Proxmire
Bricker	Kefauver	Purtell
Butler	Kennedy	Revercomb
Capehart	Kuchel	Schoeppel
Carroll	Langer	Smathers
Church	Long	Smith, Maine
Clark	Magnuson	Sparkman
Cotton	Malone	Symington
Douglas	Mansfield	Talmadge
Dworshak	McNamara	Thurmond
Hennings	Monroney	Thye
Hill	Morse	Watkins
Hoblitzell	Mundt	

NAYS—35

Anderson	Curtis	Hickenlooper
Bennett	Eastland	Javits
Bridges	Ellender	Johnson, Tex.
Bush	Ervin	Jordan
Byrd	Frear	Kerr
Carlson	Fulbright	Knowland
Case, S. Dak.	Green	Lausche
Cooper	Hayden	Martin, Iowa
Martin, Pa.	Russell	Wiley
McClellan	Saltonstall	Williams
Morton	Smith, N. J.	Young
Robertson	Stennis	

NOT VOTING—11

Case, N. J.	Goldwater	Murray
Chavez	Gore	Payne
Dirksen	Jackson	Yarborough
Flanders	Jenner	

So the second branch of Mr. SMATHERS amendment was agreed to.

Mr. SMATHERS. Mr. President, I move that the vote by which the second branch of my amendment was agreed to be reconsidered.

Mr. MAGNUSON. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Washington to lay on the table the motion of the Senator from Florida.

The motion to lay on the table was agreed to.

Mr. POTTER. Mr. President, I call up my amendment which is at the desk.

The PRESIDING OFFICER. The amendment will be stated.

Mr. POTTER. First, Mr. President, I ask for the yeas and nays on the question of agreeing to my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. POTTER. Mr. President, now I ask that my amendment be read.

The PRESIDING OFFICER. The amendment will be read.

The CHIEF CLERK. At the end of the bill, it is proposed to add a new section, as follows:

SEC. 4. Tax on passenger automobiles.

(a) Paragraph 2 of subsection (a) of section 4061 of the Internal Revenue Code of 1954 is amended by striking out "on and after July 1, 1958, the rate shall be 7 percent" and inserting in lieu thereof, "on and after March 1, 1958, the rate shall be 5 percent."

(b)——

Mr. POTTER. Mr. President, I ask unanimous consent that the further reading of my amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Michigan yield to me?

Mr. POTTER. I yield.

Mr. JOHNSON of Texas. Mr. President, I have suggested that the Senate not remain in session later than 7 or 7:15 p. m. this evening. In order to keep faith with certain Members to whom I have given assurances that no yea and nay votes will be taken after 7:15 p. m. this evening, I should like to suggest to the able Senator from Michigan that the Senate adjourn tonight, and convene at 11 a. m. tomorrow; and then, after the morning hour, which perhaps will be finished by 12 or 12:30 p. m. or some time shortly thereafter, have a quorum call, and then proceed with the further consideration of the amendment of the Senator from Michigan.

Mr. POTTER. That will be agreeable.

Mr. JOHNSON of Texas. If that will be agreeable to the Senator from Michigan and to other Members of the Senate——

Mr. POTTER. Yes.

Mr. JOHNSON of Texas. Then, Mr. President, I should like to announce that the Senate will remain in session this evening for as long as any Members may desire to address the Senate. But all Senators may be on notice that there will be no more yea and nay votes this evening, insofar as we are able to arrange the program.

EXTENSION OF CORPORATE AND EXCISE TAX RATES

Mr. NEUBERGER. Mr. President, I should like the RECORD to show, before we adjourn this evening, that in my opinion the repeal of the Federal freight tax and Federal passenger tax will be of vast importance and benefit to our country generally. It will be particularly beneficial to the Western States and the Southern States, which have to move their products and their agricultural produce so far to find markets.

I wish to pay tribute to the distinguished senior Senator from Washington [Mr. MAGNUSON], the chairman of the Committee on Interstate and Foreign Commerce, and the distinguished junior Senator from Florida [Mr. SMATHERS], who is chairman of the Surface Transportation Subcommittee. I believe these Senators were very largely instrumental in bringing before the Senate many of the vital issues which have resulted in the action the Senate took tonight to eliminate both such oppressive and burdensome taxes.

ORDER FOR ADJOURNMENT TO 11 A. M. TOMORROW

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that when the Senate adjourns tonight it adjourn until 11 o'clock a. m., tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXTENSION OF EXISTING CORPORATE-TAX AND CERTAIN EXCISE-TAX RATES—AMENDMENT

Mr. CAPEHART. Mr. President, I ask unanimous consent to have printed in the body of the RECORD an amendment that I had intended to offer to the pending bill, together with a statement I had prepared with respect to the amendment, together with some 40 or 50 letters and editorials on the subject matter of the amendment.

Mr. President, I shall not offer the amendment, but I will make every conceivable effort to have the Finance Committee attach it to one of a couple of bills the committee is now considering. In the absence of success in that effort, I shall offer the amendment on the floor of the Senate to the first tax bill that is presented for the consideration of the Senate.

There being no objection, the amendment, statement, communications, and editorials were ordered to be printed in the RECORD, as follows:

Amendment intended to be proposed by by Mr. CAPEHART to the bill (H. R. 12695) to

provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, viz: On page 4, after line 7, insert the following new sections:

"SEC. 4. That section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (h) as (i), and by inserting after subsection (g) the following new subsection:

"'(h) Special Rule for Determining Useful Life of New Property Constructed or Acquired During 1958 or 1959:

"'(1) Special rule: For purposes of this section, the useful life of property described in paragraph (3) shall, at the election of the taxpayer, be a period equal to—

"'(A) one-half of the useful life of such property (determined without regard to this subsection), to the extent that such useful life does not exceed 15 years, plus

"'(B) in the case of property which (without regard to this subsection) has a useful life in excess of 15 years, one-third of the useful life of such property (determined without regard to this subsection), to the extent that such useful life exceeds 15 years.

"'(2) Limitation: The useful life of any property shall not, by reason of the application of paragraph (1), be less than 3 years.

"'(3) Property to which subsection applies: Paragraph (1) shall apply only to property—

"'(A) the construction, reconstruction, or erection of which is commenced during 1958 or 1959,

"'(B) which is acquired during 1958 or 1959, and the original use of which commences with the taxpayer and commences after 1957, or

"'(C) which is acquired, under the terms of a written contract entered into during 1958 or 1959, within a reasonable time after 1959 (taking into consideration the type of such property and such other factors as the Secretary or his delegate may prescribe by regulations), and the original use of which commences with the taxpayer and commences after 1959.

"'(4) Application to new construction: In the case of property described in paragraph (3) (A), paragraph (1) shall apply only to that portion of the basis of such property which is properly attributable to construction, reconstruction, or erection during the period of 18 months beginning with the day on which the construction, reconstruction, or erection of such property is commenced.

"'(5) Election:

"'(A) When and how made: The election provided by paragraph (1) shall be made with respect to any property within the time prescribed by law (including extensions thereof) for filing the return for the first taxable year for which a deduction under subsection (a) is allowable with respect to such property. The election shall be made in such manner and in such form as the Secretary or his delegate shall prescribe by regulations.

"'(B) Effect: An election made under this subsection with respect to any property shall not be revoked except with the consent of the Secretary or his delegate and under such terms and conditions as the Secretary or his delegate may prescribe.'

"SEC. 5. The amendment made by this Act shall apply to taxable years ending after December 31, 1957."

STATEMENT BY UNITED STATES SENATOR HOMER E. CAPEHART, REPUBLICAN, OF INDIANA, UPON THE INTRODUCTION OF AMENDMENT

PURPOSE OF THE BILL: TO RESTORE EMPLOYMENT TO THOSE WHO ARE NOW OUT OF WORK AND TO GUARANTEE PERMANENCY OF EXISTING JOBS

Mr. President, I send to the desk for appropriate reference a bill which will:

(1) Create jobs for American working men and women now unemployed.

(2) Add stability to and improve existing jobs.

(3) Stimulate business with resultant expansion of the national economy in the years to come.

Certainly there are no more important tasks facing this session of the Congress.

I should like to remind each Senator that a copy of this bill, of my statement on it, and a copy of bulletin F entitled "Tables of Useful Lives of Depreciable Property" issued by the United States Treasury Department, have been delivered to each senatorial office.

Bill is of vital importance to every man, woman, and child in the United States

Because of the extreme importance of the subject matter of this bill to every citizen of the United States, I urge sincerely that Senators study very carefully provisions of the bill, and my statement thereon, in relation to the depreciation schedules set up in bulletin F.

Immediate action by the Congress is urgent

Once Senators have had the opportunity to study this matter, Mr. President, it is my hope that the appropriate committee will find it possible to hold immediate hearings so that the bill may be considered thoroughly and passed without undue delay.

Our Nation, its workers, and its businesses need this legislation.

I am convinced that no other measure here proposed or under committee consideration will do the all-important job of creating jobs as quickly, as surely and as soundly as will this bill.

What the bill does

Mr. President, briefly the bill does simply this. It proposes to reduce substantially the periods during which capital investments may be depreciated for tax purposes if they are made or contracted for over a specified period of 18 months.

For the accelerated depreciation to apply, it would not be necessary that the projected capital investment become a finished reality in the 18-month period.

The depreciation benefit would accrue if the contract for such an investment was made during that period even though the normal completion or delivery date should fall thereafter.

The bill is retroactive to January 1, 1958

It is proposed likewise that the provisions of the bill be made retroactive to cover capital investments made or contracted for since January 1, 1958.

The reasons for the retroactive feature are obvious. As long as the bill is retroactive in its application, anticipated capital investment will not be delayed pending the final approval of the bill.

What is schedule F?

Mr. President, as I have said, each Senator has been provided with a copy of schedule F entitled "Tables of Useful Lives of Depreciable Property" issued by the United States Treasury Department, IRS 173.

This schedule contains tables of the numbers of years of useful life of capital investments as now computed by the Bureau of Internal Revenue.

Senators should keep these figures before them constantly in considering this legislation and study them in relation to my statement on the bill and the bill itself.

The bill covers all capital investments

The Internal Revenue schedule to which I have referred, sets up depreciation periods for capital investments based on the estimated life of the product of the investment, be it buildings, machine tools, farm equipment or any of the hundreds of other items covered by the broad term of capital assets.

This bill would apply to all of them so that its advantages would accrue to all on exactly the same basis.

Ten million job sources

The provisions of this bill would be applicable to farmers and to small and big business alike.

It has been estimated that there are some 6 million farmers in the United States.

There are some 4 million businesses of every size and description.

Thus, when we pass this bill we will be making it possible for these 10 million business units to put more people to work almost at once.

Specific provisions of the bill

The bill, Mr. President, proposes these changes in the depreciation schedule for capital investments made or contracted for in the specified 18-month period:

(1) The depreciation period for any capital investment now based on up to and including a 15-year estimated useful life would be reduced by one-half.

(2) That portion of the estimated life on any capital asset exceeding 15 years would be reduced by two-thirds.

The immediate effect of this bill

Let's see what this bill would do.

First. It would encourage the 10 million job-producing units in this country to do now what they may have anticipated for the future and open up financing to enable them to do it.

Second. It will create now hundreds of thousands of jobs for people who do not have jobs.

Third. It will act as a guaranty of greater security and improvement in existing jobs.

Who would be the most enthusiastic about this bill?

It is perfectly obvious that the most enthusiastic supporters of this bill would be the men and women who want and need jobs, and the men and women who run the 10 million business units which could provide those jobs.

Their enthusiasm would be shared, too, by the men and women who now have jobs because they would benefit through improvement in and greater stability of the work they are now doing.

All American taxpayers should support this bill because here is a way to cure the present recession and expand the national economy without costing the taxpayers a single penny.

Examples of how depreciation would be figured under this bill

For a farmer: A new tractor could be depreciated within 5 years instead of 10 years; a threshing machine would be depreciated within 7½ years instead of 15 years; a corn crib could be depreciated within 12½ years instead of 30 years.

For the small factory owner: Tools and dies could be depreciated in 1½ to 2 years instead of 3 to 4 years; heavier machinery and tools could be depreciated in 7½ to 9 years instead of 15 to 20 years.

For heavy industry: A new plant of average construction could be depreciated in 16 years instead of 40 years.

For rental housing: Homes, apartment buildings and office buildings of average construction could be depreciated within 16 years instead of 40 years.

For transportation systems: The beneficial effect of this bill on our dilemma-ridden railroad system would be tremendous. Because they could depreciate it more rapidly, it is my best judgment that the railroads would immediately acquire hundreds of millions of dollars worth of new equipment. Of course, the bill would also be applicable to other forms of transportation.

For wholesale and retail establishments: This bill would provide an incentive for wholesale and retail stores to carry out now the renovation programs—new store fronts, new fixtures, etc.—that they may need and have been anticipating in the future.

Why this is the best legislation the Congress could pass to put people back to work today

This legislation has many advantages over public works programs.

Public works programs are selective. The people they would employ would, at best, be only a fraction of those who need jobs.

Public works projects would help in only certain scattered areas. Generally speaking, they would take a long time to get under way.

In addition, under this bill workers would be more likely to get jobs in their own communities rather than having to move to an area in which a public works project is planned because this bill will put 10 million business units in the United States in a position to act the very hour the legislation is passed using their own capital instead of taxpayers' money.

The administration has taken sound steps

Mr. President, the administration and the Congress have moved with admirable courage and speed to take those steps it has been possible to take up to this time to cure our economic ills. They have been constructive steps, and I am sure that all us have approved of the motives behind them.

But here is a new, additional, and a wholly business-like, approach that will complement the program that is already under way.

And again, I repeat, this bill would not cost the taxpayers a penny.

Permanent jobs create new tax sources

It is true, Mr. President, that this bill would have the effect of postponing some tax revenues.

But, at the same time, it is altogether possible, yes, even probable that the end result of stepped-up capital investments would, over the long pull, create even greater tax revenues in the future.

I believe that this would be the case.

There is every reason to believe that this would be the case because these, Mr. President, would be lasting and permanent jobs growing out of the creation of new, permanent, and lasting capital assets to add to the wealth of the Nation and to expand our economy over the years to come.

This, then, Mr. President, is the best way to create jobs.

It is the best way to add stability to existing jobs.

It is the private enterprise way.

It lets America's 10 million business units solve the problems of our economy without costing the taxpayer a penny.

Because this is the best way, let's get the job done just as quickly as the legislative process can be completed.

(The bill follows:)

"A bill for the purpose of creating new jobs, giving greater stability to and improving existing jobs, and stimulating business during the next 18 months with resultant expansion of the national economy in the years to come, by amending the Internal Revenue Code of 1954 so as to allow more rapid depreciation for property constructed or acquired during 1958 and 1959, or for the construction or acquisition of which a contract is entered into during 1958 or 1959, by reducing the useful life of such property for income-tax purposes

"Be it enacted, etc., That section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (h) as (i), and by inserting after subsection (g) the following new subsection:

"'(h) Special rule for determining useful life of new property constructed or acquired during 1958 or 1959.

"'(1) Special rule: For purposes of this section, the useful life of property described in paragraph (3) shall, at the election of the taxpayer, be a period equal to—

"'(A) one-half of the useful life of such property (determined without regard to this subsection), to the extent that such useful life does not exceed 15 years, plus

"'(B) in the case of property which (without regard to this subsection) has a useful life in excess of 15 years, one-third of the useful life of such property (determined without regard to this subsection), to the extent that such useful life exceeds 15 years.

"'(2) Limitation: The useful life of any property shall not, by reason of the application of paragraph (1), be less than 3 years.

"'(3) Property to which subsection applies: Paragraph (1) shall apply only to property—

"'(A) the construction, reconstruction, or erection of which is commenced during 1958 or 1959,

"'(B) which is acquired during 1958 or 1959, and the original use of which commences with the taxpayer and commences after 1957, or

"'(C) which is acquired, under the terms of a written contract entered into during 1958 or 1959, within a reasonable time after 1959 (taking into consideration the type of such property and such other factors as the Secretary or his delegate may prescribe by regulations), and the original use of which commences with the taxpayer and commences after 1959.

"'(4) Application to new construction: In the case of property described in paragraph (3) (A), paragraph (1) shall apply only to that portion of the basis of such property which is properly attributable to construction, reconstruction, or erection during the period of 18 months begining with the day on which the construction, reconstruction, or erection of such property is commenced.

"'(5) Election:

"'(A) When and how made: The election provided by paragraph (1) shall be made with respect to any property within the time prescribed by law (including extensions thereof) for filing the return for the first taxable year for which a deduction under subsection (a) is allowable with respect to such property. The election shall be made in such manner and in such form as the Secretary or his delegate shall prescribe by regulations.

"'(B) Effect: An election made under this subsection with respect to any property shall not be revoked except with the consent of the Secretary or his delegate and under such terms and conditions as the Secretary or his delegate may prescribe.'

"SEC. 2. The amendment made by this act shall apply to taxable years ending after December 31, 1957."

[From Business Week of May 3, 1958]

REVIVING THE FAST WRITEOFF—SENATOR CAPEHART AND SOME POTENT SUPPORTERS WANT TO HELP CURE THE RECESSION BY LETTING BUSINESSMEN AND FARMERS DEPRECIATE CAPITAL IMPROVEMENTS FASTER THAN USUAL

Momentum is gathering this week behind a new antirecession tax idea aimed at stimulating capital expansion without resort to a general tax reduction program. Senator HOMER CAPEHART, Republican, of Indiana introduced a bill that would speed up the depreciation for tax purposes of new capital investment and equipment started between January 1, 1958, and June 30, 1959.

CAPEHART already is collecting an impressive list of supporters for his plan, including many industry groups. For example, the Machinery & Allied Products Institute wants faster tax writeoff for the machine tool industry. Last week the Rockefeller Brothers Fund came out for faster depreciation on capital improvements started in the next 12 months.

Economists testifying recently before Congressional committees have listed accelerated amortization as a recession remedy. President Eisenhower at his Wednesday news conference included depreciation aid among specific tax reduction plans that should be given special study.

EARLIER PROGRAM DILUTED

A fast tax writeoff program inaugurated during the Korean war was ended by Congress last year. Senator HARRY F. BYRD, Democrat, of Virginia pushed through a bill virtually killing the program on the grounds that it was being used in peacetime to expand production of goods for civilian consumption. The Byrd measure continued the 5-year writeoff only for new items or items with no civilian market produced for the military and for Atomic Energy Commission research.

The Capehart bill, unlike the predecessor program, would be aimed at all business and industry, including agriculture. It would apply to all items listed under the Internal Revenue Service's Bulletin F.

Basically, this is what the Capehart proposal would do:

Reduce substantially the period during which capital investments may be depreciated, provided they are contracted for within an 18-month period.

Make the program retroactively effective as of January 1, 1958, and apply it to all improvements begun or contracted for during the ensuing 18 months.

On goods that are now depreciated over a 15-year period or less, cut the time in half.

On goods and investments normally amortized over more than 15 years, cut the first 15 years in half and the balance by two-thirds.

APPLICATIONS

CAPEHART estimates his relief bill would apply to 6 million farmers and 4 million businessmen.

For example, under the Capehart proposal a farmer could depreciate a new tractor in 5 years, instead of 10 as now provided. But a corn crib, which now must be amortized over a 30-year period, would be cut to a 12½-year life expectancy.

The small factory owner could depreciate tools and dies in 1½ to 2 years, instead of from 3 to 4 years. Heavier tools could be depreciated in 7½ to 9 years instead of 15 to 20 years.

In heavy industry, a new plant of average construction could be depreciated in 16 years instead of 40.

As for rental housing—homes, apartment buildings, and office buildings of average construction could also be depreciated in 16 years instead of 40.

BARBERS BENEFIT

It also would apply to railroad equipment and new fixtures and store fronts for retailers and wholesalers. Even barber shops would benefit, CAPEHART points out. A barber chair could be depreciated in 6 years instead of 12. Passenger cars used commercially, now depreciated over 5 years, could be amortized in 2½ years, and salesmen could amortize their cars in 1½ instead of 3 years.

The idea, says CAPEHART, would be to get companies to launch construction projects and purchase new equipment within the 18-month period when the economy needs a lift.

EFFECT ON REVENUES

The Federal Government would have to postpone collection of between $600 million and $1 billion a year. But CAPEHART contends that increased capital investment, over the long pull, would actually create greater tax revenues in the future.

PROSPECTS FOR ACTION

It is possible that faster depreciation and some excise relief may be the only tax liberalizing measures on which Congress will act this session. Something will have to be done about the increases imposed during Korea in manufacturers' excise and corporation income tax rates. Unless extended, the increases will expire June 30. Action on these taxes may be used as the vehicle to grant some selective excise reductions—such as a cut in the 10 percent tax on new cars and the 3 percent freight transportation tax. A push will be made to cut other excises, but Congress will be reluctant to open up the whole field. A number of excises were reduced substantially in the 1954 revision bill, and it's doubtful that Congress would be willing to cut taxes in this category again.

LOUISVILLE CHAMBER OF COMMERCE, INC.,
Louisville, Ky., June 17, 1958.
HON. HOMER E. CAPEHART,
United States Senate, Senate Office Building, Washington, D. C.

DEAR SENATOR CAPEHART: Congratulations on introducing S. 3718 and very best wishes for its passage. I believe it would be a great incentive to a more rapid business recovery.

Yours very truly,
KENNETH P. VINSEL.

FORT WAYNE, IND., *May 14, 1958.*
Senator HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR: Allow me to express appreciation for your suggested action to establish more favorable depreciation schedules for real estate. If you would add to this an excise moratorium for a limited time on hard goods, you could force some spending to take advantage of savings during such a moratorium. Let's not give away tax money unless it forces spending.

Cordially,
ED. C. KNAKE.

BURCH PLOW WORKS, INC.,
Evansville, Ind., May 13, 1958.
Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I have read with much interest your bill to restore employment and guarantee the permanency of existing jobs, introduced in the Senate on April 28.

It certainly is time that capital and labor realize to the fullest extent that there is a limit to all things and that there should be a leveling off in fairness to both. When labor is not working, conditions everywhere soon show it.

With best personal regards, I am
Sincerely yours,
A. V. BURCH.

STOKELY-VAN CAMP, INC.,
Indianapolis, Ind., May 12, 1958.
Hon. HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR HOMER: I read with interest your speech made on Monday, April 28. This is exactly down the lines of my thinking that I have to write you and compliment you on it.

The bulletin F issued by the United States Treasury Department is absurd, on the face of it. Some items can be used for 100 years, if you care to fall that far behind the times; other items have to be replaced within 2 or 3 years if you want to keep up with the times.

We are not doing any favor to our economy when a bureaucratic setup undertakes to tell you how long your equipment should be good for and when you should replace it.

I think we have fairly good laws along that line, if the Internal Revenue Department would allow them to be used. They seem to want to write their own laws as they go along somewhat as the "new dealish" Supreme Court.

I am firmly of the belief that these things will eventually right themselves, and I believe you will help by such action as you have taken.

Yours very truly,
WILLIAM B. STOKELY, Jr.

THE FIRST NATIONAL
BANK OF CROWN POINT,
Crown Point, Ind., May 12, 1958.
Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR MR. CAPEHART: I meant to write to you a long time ago about taxes. Now I received and read with interest your speech before the Senate on April 28, 1958, concerning your bill, S. 3718.

I am indeed happy that some Senator realizes that our income-tax structure is choking the American people, not too slowly but surely.

The stepped up depreciation of property would help a lot, but tell me how the Government ever figures it can or should take 50 percent to 91 percent of anyone's income? Surely we all know that the people in the high brackets are the people who give employment to a great number of workers. Can anyone think it good business to take 91 percent of their income and destroy whatever incentive they may have to produce?

If we cut taxes we must cut Government expenses, and that is a must, and both should be done without delay. Every Member of Congress will agree with the above but no one has the courage to put the idea to work.

I would appreciate hearing from you.

Cordially yours,
J. H. BROWN, *Chairman.*

NAEGELE ADVERTISING COMPANY
OF INDIANA, INC.,
Evansville, Ind., May 14, 1958.
Re Your bill S. 3718.
Hon. HOMER E. CAPEHART,
Senator, Senate Office Building,
United States Senate,
Washington, D. C.

DEAR SENATOR: I want to congratulate you on the foresight and simplicity contained in your bill S. 3718, a copy of which I have just read.

I sincerely wish you every success in guiding this bill through as it certainly seems to make sense to me as a small-business man.

Most sincerely yours,
NAEGELE OUTDOOR ADVERTISING
COMPANY OF INDIANA, INC.,
JOHN AULL, *President.*

FIRST CHRISTIAN CHURCH,
Greensburg, Ind., May 10, 1958.
Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR MR. CAPEHART: I have received and read your speech delivered Monday, April 28, 1958, relative to bill S. 3718. This proposal sounds very good to me and I agree that this would be a much better procedure than to enter into a program of public works.

I pray that the Lord will guide you fellows on Capitol Hill as you direct the affairs of our great country.

Sincerely yours,
ROY A. GRAY, *Minister.*

NAPPANEE ADVANCE-NEWS,
Nappanee, Ind., May 26, 1958.
Senator HOMER CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: We enclose tear sheets of your economy-boosting depreciation accelerating bill, which we are running in all our papers, and which we believe is an excellent measure.

Some officials, without legislative authority, have in the past increased taxes by lengthening depreciation time as much as from 10 years to 20 or 25 years.

This has been adverse to employment and disastrous to an increasing number of small businesses, particularly weekly newspapers.

Small weeklies cannot buy new machinery. Larger papers have been holding machinery longer into obsolescence, and out of the used-machinery market.

Your bill is more than a recession booster. It will aid, and in some cases save, the small-business man.

May we have the new increased third-class mail rates, reported passed after conference on that bill? We issue four free newspaper-shoppers, mailed under third-class postage, about 24,000, in addition to Nappanee Advance-News.

The requirement that demands street addressing for identical mail on home-carrier routes is a completely punitive measure that increases annoyance, work, and expense for the post office. It hurts the business, particularly of small advertisers, and diminishes employment.

The 2½-cent third-class rate is so high that private delivery to rural areas at lower cost will arise to compete with the post office and lower their revenues.

Local and in-county third-class mail has been profitable to the post office and this could well be at a lower rate than third-class mail sent long distances.

We also believe it is an unprofitable bureaucratic rule that forbids third-class mailers from transporting our own third-class mail, at our expense from one post office to another to speed up service. This is a common practice in second-class mailing and saves money for the post office.

Very truly yours,
TOM MYERS, *Publisher.*

[From the Nappanee (Ind.) Advance-News of May 15, 1958]

CAPEHART BILL TO MAKE JOBS AND BIG BUYING

Double the depreciation allowance under income taxes for new machinery, new building, modernization, new store fronts, homes and plants, Senator HOMER E. CAPEHART recommends in a new bill he has introduced in Congress to give the economy a boost and make jobs.

Farmers get double depreciation on tractors and farm implements.

Private enterprise and initiative will get goods moving and make jobs far faster than public works can, says Senator CAPEHART. And this accelerated depreciation plan will not cost the taxpayers one cent.

Ten million job-producing units can immediately start making jobs under the plan in every corner of the country from cities to crossroad centers and to remote farms and ranches.

There are 6 million farmers and 4 million businesses in the country, reaching every part of the United States. Public works will aid only selected areas and workers will have to relocate for big projects and some of the small.

The Capehart plan will make for greater security in jobs with modernization of machinery when jobs are being lost by obsolescence of machinery and equipment.

For a farmer, a new tractor could be depreciated within 5 years instead of 10 years; a threshing machine would be depreciated within 7½ years instead of 15 years; a corn crib could be depreciated within 12½ years instead of 30 years.

For the small factory owner, tools and dies could be depreciated in 1½ to 2 years instead of 3 to 4 years; heavier machinery and tools

could be depreciated in 7½ to 9 years instead of 15 to 20 years.

For a heavy industry, a new plant of average construction could be depreciated in 16 years instead of 40 years.

For rental housing, homes, apartment buildings, and office buildings of average construction could be depreciated within 16 years instead of 40 years.

For wholesale and retail establishments, the bill would provide an incentive for wholesale and retail stores to carry out now the renovation programs—new store fronts, new fixtures, etc., that they may need and have been anticipating in the future.

Public-works programs are selective. The people thus employed would, at best, be only a fraction of those who need jobs.

In addition, under the Capehart bill, workers would be more likely to get jobs in their own communities, rather than to have to move to an area in which a public-works project is planned.

This bill will make it possible for 10 million business units in the United States to act the very hour the bill is enacted and to use their own capital, instead of the taxpayers' money.

PEPSI-COLA BOTTLING CO.,
Vincennes, Ind., May 13, 1958.

The Honorable HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR CAPEHART: It has been a pleasure to read your speech made in the Senate on Monday, April 28, 1958, with reference to employment through stimulation of construction and buying by the help of depreciation. You certainly have hit the nail on the head. I know of three small concerns who would build and equip their plants this year if such a bill would be passed.

When small plants have to siphon off 30 percent of their cash profits each year or 52 percent if they run over $25,000 it takes practically all of their working capital. The balance is invested in machinery or equipment, the basis far in excess of their present depreciation allowances, and there simply isn't anything left from income to use for building buildings or buying new equipment. Small businesses do not have access to capital like large businesses, and so are more or less dependent upon their own resources or local bank loans. As a businessman can know, both of these sources are not satisfactory for these purposes under the present setup.

If Congress would pass this bill and at the same time would give businesses with net incomes of $25,000 to $100,000 some tax relief for a period of 5 years, I wager you would see an enormous pickup in construction and the purchase of new machinery as quickly as it could be brought about.

More power to you, Senator.

Cordially,

T. M. SHIRCLIFF.

BENDIX AVIATION CORP.,
South Bend, Ind., June 13, 1958.

The Honorable HOMER CAPEHART,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAPEHART: I was very pleased to read recently of your introduction into the Senate of Senate bill S. 3718, which I understand proposes faster recovery during 1958 and 1959 of the cost of new capital goods through depreciation allowances. I believe this sort of proposal is constructive and will be helpful to the entire economy.

Very truly yours,

J. A. MACLEAN,
Assistant Group Executive.

MESHBERGER STONE CO.,
Columbus, Ind., May 12, 1958.

The Honorable HOMER E. CAPEHART,
Senator of Indiana,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAPEHART: I wish to thank you for sending us a copy of your speech made in the Senate, Monday, April 28, 1958, regarding the purpose of a bill to restore employment and guarantee the permanency of existing jobs.

I have read with interest this speech and considered the effect of your bill with regard to our own situation. I thought it would interest you to know that in our own case this could have a very stimulating effect toward increasing our capital expenditures during the next year. We have been planning a new plant in central Indiana to be installed within the next 3 years. Something of this nature would very likely have the effect of pushing this date forward and to take advantage of the increased depreciation schedule, obviously thereby creating additional employment at this time when it is so sorely needed.

Undoubtedly it would have similar effect in very many businesses. We are also in the contracting business under the Columbus Paving Co., Inc. I am sure that it would accelerate and increase the purchase of construction equipment at this time also.

Again I wish to thank you for sending us copies of your addresses from time to time. Would like to state that we think you are doing a fine job in representing the State of Indiana in Washington as well as demonstrating real statesmanship in your approach to many of the areas of national and international problems.

Yours very sincerely,

ROGER MESHBERGER, *Vice President.*

COMMITTEE OF 100,
South Bend, Ind., May 6, 1958.

Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I want to congratulate you on the bill you introduced increasing depreciation deductions to bring about a spur in capital investment. I believe that the adoption of this measure would help greatly in snapping us out of this present recession.

We will urge the adoption of this legislation.

Sincerely,

F. R. HENREKIN,
Executive Director.

PHILADELPHIA, PA., *May 6, 1958.*

Senator HOMER CAPEHART,
Senate Office Building,
Washington, D. C.:

This association congratulates you on the contents of S. 3718. This bill would help the phase of the construction industry which needs help the most, namely the commercial and industrial field. Moreover, S. 3718 would help the Nation's economy in the American way.

HARRY P. TAYLOR,
Executive Secretary, General Building Contractors Association, Philadelphia Builders Chapter, Associated General Contractors of America.

PERU FOUNDRY CO.,
Peru, Ind., May 5, 1958.

Hon. HOMER E. CAPEHART,
United States Senator, Senate Office Building, Washington, D. C.

DEAR SIR: Mr. Jess Murden has brought to my attention your presentation of a bill to set up accelerated depreciations for new equipment, constructed or acquired during 1958 or 1959.

Needless to say, this is, in our opinion, a very fine assist to small business during a time when new equipment is so urgently needed to stay in business to compete with the larger and better financed companies.

I want to commend you very sincerely for your presentation of the purpose of the bill also. I trust that this bill will find its way to the proper committee and be acted upon as quickly as possible, so that if same is passed, we will get the benefit of it in the nearest possible future.

Yours very truly,

PERU FOUNDRY CO.,
A. F. FRIES, *President.*

LILLY VARNISH CO.,
Indianapolis, Ind., April 30, 1958.

Hon. HOMER E. CAPEHART,
Congress of the United States, Senate Office Building, Washington, D. C.

DEAR HOMER: I was pleased to read in the paper the other day of the bill you introduced as a depression cure, the increasing of depreciation allowances to business. Something of this kind is more likely to increase jobs than pump priming of whatever description, and I think the same could be said by comparing this approach to tax cuts. A move of this kind would encourage the creation of jobs, and that's what is needed.

With regards.

Sincerely yours,

W. I. LONGSWORTH,
President.

SOLLITT CONSTRUCTION CO., INC.,
South Bend, Ind., April 30, 1958.

Senator HOMER CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: Many of your friends read, with interest, the bill you proposed yesterday to relax our tax laws in regard to depreciation. There is no doubt in our mind that a faster tax writeoff would give much emphasis to improving industrial spending for plant and equipment.

Spending by industries for new plants has been cut drastically in northern Indiana and southern Michigan, however, there are many concerns that have plans which they are holding in abeyance and such an incentive as a faster tax writeoff would, we believe, bring these plans out of moth balls.

If anything, your bill would seem to be too conservative but it certainly is a step in the right direction and if there is anything that we can do to get others behind it, please let us know.

Respectfully yours,

RICHARD I. GAGNON,
Secretary.

TERRE HAUTE CHAMBER OF COMMERCE,
Terre Haute, Ind., May 12, 1958.

Hon. HOMER E. CAPEHART,
United States Senator,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: Thank you so much for sending to me the particulars of your bill to stimulate construction and purchasing by reducing the periods during which capital investments may be depreciated for tax purposes.

Certainly passage of the bill would result in more employment in every field and this without the semblance of a dole.

I particularly like the time limitation clause. So often these emergency measures become an integral and permanent part of our laws. You are to be congratulated not only on the introduction of the bill but upon your good judgment in terminating its effectiveness.

The measure will have full attention of our legislative committee.

I have asked WTHI radio for the tapes.

Sincerely yours,

JOHN K. LAMB,
Executive Vice President.

THE FOUNTAIN TRUST CO.,
Covington, Ind., May 12, 1958.

Senator HOMER E. CAPEHART,
Washington, D. C.

DEAR SENATOR: Some days ago I read in the daily paper of your proposal to enact legislation which would give accelerated depreciation for tax purposes.

I pointed out to several of my friends that this was the first real constructive effort or idea that had been offered, in my opinion, that was badly needed to help the present economical situation.

Sincerely,

M. H. COOK.,
Secretary.

THE FELDMAN AGENCY,
Evansville, Ind., May 11, 1958.

The Honorable HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I have just completed the reading of the CONGRESSIONAL RECORD report which your office so kindly sends me.

S. 3718 certainly appears to be a bill that will do everything you say it will. I know our expansion plans would change with the passage of this legislation.

We to hope the Senators will hold immediate hearings, so that the bill may be passed without undue delay.

Best wishes,

GEORGE FELDMAN.

TURCO PRODUCTS, INC.,
Los Angeles, Calif., May 9, 1958.

The Honorable HOMER CAPEHART,
United States Senate,
Senate Office Buiding,
Washington, D. C.

SIR: I have observed with interest your proposal to allow larger depreciation allowances for capital assets built or purchased in 1958–59 as a means of spurring business expenditure.

How typical our situation is, or how many companies might be moved to undertake expansion, modernization or replacement of obsolete facilities, I have little idea, but I am quite sure that in our own case permission to accelerate depreciation would get our project under way very quickly. Financing is not a problem.

We have plans completed for an approximately $1,500,000 headquarters and research facility but we are slow to proceed because:

(1) The depreciation reserve provided by the facilities which are to be obsoleted is only a fraction of the cost of the new facility.

(2) The combination of a 52-percent tax base and limited depreciation allowances reduces the attraction for new investment.

Not to overstate the matter, we expect to go ahead with some part of the project, regardless. This most probably will mean that we will build now only the central building in the photograph enclosed—at a cost of about $400,000. But, as I have indicated, granted accelerated depreciation we would be underway with the entire project in 30 days.

Ours may be an isolated case, but I doubt it. There seems to be no shortage either of potential risk capital or of confidence in the longer range future. There is timidity about committing that capital, however.

Very truly yours,

S. G. THORNBURY,
President.

MORRISON-KNUDSEN CO., INC.,
Boise, Idaho, May 14, 1958.

The Honorable HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I acknowledge receipt of your letter of May 9 and the reprints from the CONGRESSIONAL RECORD of April 28, carrying your speech and the features of the bill, S. 3718, which you introduced in the Senate.

In accordance with your suggestions I have addressed letters on this subject to the Secretary of the Treasury, to Senator HENRY C. DWORSHAK and to Congressman HAMER H. BUDGE. Copies of these letters are enclosed herewith. I trust that my action will assist in crystallizing support for your proposals.

Wishing you success in your endeavors, I remain

Sincerely yours,

H. W. MORRISON,
President.

MORRISON-KNUDSEN CO., INC.,
Boise, Idaho, May 14, 1958.

The Honorable ROBERT ANDERSON,
Secretary of the Treasury,
Washington, D. C.

DEAR MR. SECRETARY: I have noted with particular interest the provisions of S. 3718, introduced by Senator CAPEHART and referred to the Senate Committee on Finance. Senator CAPEHART'S bill would authorize greatly increased depreciation allowances on capital assets built or acquired during 1958 and 1959. In my opinion, S. 3718 is among the most realistic of antirecession proposals yet advanced, because:

(1) By permitting business and industry to accumulate greater depreciation reserves, it would provide the incentive for new capital expenditure programs and the resumption of many which have been deferred. Capital expenditure programs generate employment on a nationwide scale in the greatest possible range of industries.

(2) It would permit expeditious accomplishment of the objective (employment) as an alternative to time-consuming procedures involved in Congressional authorizations of and appropriations for public works. Business and industry would use the dollars which the Federal Government is now collecting in taxes and ultimately spending to attain the same objective. Therefore, the temporary tax revenue loss would not be a true loss to the general economy of the United States.

(3) By permitting business and industry to accumulate greater depreciation reserves, the burden on banks, insurance companies and other lending agencies would be lightened substantially. Tight money and high interest rates in the investment capital markets would be supplanted by a normal and stabilized supply-and-demand condition.

(4) Depreciation allowance tables of the Internal Revenue Service are in general unrealistic and inequitable from the standpoint that insufficient depreciation reserves can be accumulated to meet increased replacement costs. Senator CAPEHART'S proposals therefore possess merit apart from the spontaneous and wholesome influence they would exert on the general economy of the United States.

For the reasons herein stated, I hope that S. 3718 will have your earnest and favorable consideration.

Respectfully yours,

H. W. MORRISON,
President.

YECK & YECK, INC.,
Dayton, Ohio, May 16, 1958.

Senator HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I understand that you are preparing a bill to provide for increased depreciation allowances for capital goods purchases which are purchased in the next year or so.

I can't imagine anything better to step up sales. This is the kind of thing that will actually get wheels turning and quick action.

But as long as it is not acted upon it will actually delay buying on the part of businessmen who feel they'd rather wait a month or two and get increased depreciation.

Why don't you make the starting point for such a depreciation retroactive to, say, May 1? Then businessmen could start ordering now with the assurance that their purchases would be subject to accelerated depreciation if the bill became law.

Sincerely,

JOHN D. YECK.

P. S.—I'm ready to spend $70,000 on a building and remodeling but the hope of accelerated depreciation is holding me up.

M. M. SUNDT CONSTRUCTION CO.,
Tucson, Ariz., May 14, 1958.

Senator HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We have just been furnished by the Washington office of Associated General Contractors a draft of your remarks accompanying the introduction of Senate bill No. 3718, to allow more rapid depreciation of property and equipment to stimulate business and employment. After reading the contents of the bill and your remarks, we felt that it would be only proper that we write to you to extend our deep appreciation to you for having originated such a very fine piece of legislation and to assure you that not only we as a company but contractors everywhere and contractors' associations throughout the Nation will throw their full support behind this piece of legislation.

We feel that anyone who will make an effort to understand the bill—above all, who will read your remarks accompanying its introduction—could not do other than agree that this is a very wise, important, and necessary piece of legislation, and we are today writing our Senators soliciting their full support for the bill.

Again thanking you, we are,

Yours very truly,

W. E. NAUMANN,
Vice President.

FRANCE PACKING CO.,
Philadelphia, Pa., May 14, 1958.

The Honorable HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I want to convey my deep appreciation to you for introducing a bill that would speed up depreciation on farm and business facilities. More rapid depreciation is an absolute necessity to obtain adequate modern equipment for Government-ridden enterprise. My only regret in the case of your bill is that it contains a time limit. This should not be, as I will explain below.

You must realize that any modern piece of equipment being bought to replace a depreciated machine is much more refined and many, many times more expensive than the cost of the depreciated machine. Consequently, the depreciation applies only to a fraction of the cost of the replacement.

I will take a concrete example that actually exists in my plant. In the boom year of 1927 we bought two new 24-inch Bullard vertical turret lathes for $4,800 each. The vertical turret lathe of comparable size that Bullard now offers was recently quoted to us at $62,496, and there is no American competition to turn to.

With the present unsound tax policy this is what would take place in order to replace just one of our 30-year-old lathes: We have the $4,800 credited to depreciation of the old machine. If we could now find a buyer for it in this depressed used machinery market it is estimated it would be difficult to obtain $3,500 per lathe. Add these two figures together and we have $8,300 to apply against $62,476 for the new machine, leaving $54,176 to be mustered at the rate of 48 cents from each dollar made in profit. Consequently it requires $112,866 of profit before taxes to replace a single machine. And all the time other machines are coming up for replacement and we are confronted with the same cycle with them. But let's return to the case of the Bullard. In 1957 we made 8 percent on sales before taxes (the low rate being due to old machinery for the most part). At this rate of return it would require $1,410,000 sales, which is more than 1957 net sales, to produce enough money before taxes to replace just one Bullard.

Something very drastic and unselfish must be done by Government to rectify the despicable policies that have created such a situation. Bear in mind that the exceedingly high price for the new Bullard, as in any other piece of equipment, is primarily influenced by the necessity of setting a selling price that will net an adequate profit based on 48 cents net from a dollar made.

I would therefore ask you to consider your rapid depreciation bill as a permanent tax policy and also endeavor to permit the corporation income tax rate to drop to 47 percent on July 1.

Very truly yours,

E. A. FRANCE.

THE WALKER & SWASEY CO.,
Cleveland, Ohio, June 6, 1958.

The Honorable HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR: I am in perfect accord with your bill, S. 3718, as I felt business has needed this for quite some time. However, in working out a plan similar to yours, the thought occurred to me that the depreciation requirements should be staggered.

In other words, encouragement should be made now and until the end of the year when it is probably more needed than it would be in the middle of 1959. Therefore, I would have suggested any equipment purchased from January 1, 1958, let's say until June 30, 1958, 50 percent of the normal allowable depreciation, and then a drop of 5 percent per month until June 30, 1959. In this way the push would be on toward buying equipment now, or fairly soon, rather than hold off until next year.

Certainly the industry needs a better depreciation setup of capital equipment if we are to stay ahead in the production race.

Yours very truly,

I. T. WHITE,
Manager, Construction Equipment Sales.

BORMAN ELECTRIC CO.,
Evansville, Ind.

"Senator CAPEHART, Republican, of Indiana, offered a bill designed to spur capital investment through greatly increased depreciation tax deductions. His measure would double or more than double—depending on the type of asset involved—the amount of deduction that could be taken from business tax returns for capital assets built or acquired during 1958 and 1959. The legislation was introduced amid other moves on Capitol Hill aimed at countering the business recession. Senator DOUGLAS, Democrat, of Illinois, started hearings by his House-Senate Economic Committee designed to gather evidence that tax reductions are needed."

Wonderful.

H. B. ALEXANDER & SON, INC.,
Harrisburg, Pa., May 13, 1958.

The Honorable HOMER CAPEHART,
The United States Senate,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We note in legislative news from Washington this past week that the Capehart bill S. 3718 has been referred to the Senate Committee on Finance.

We believe that your bill would be of benefit to us as contractors, so that we might depreciate equipment and property at a faster rate. This would result in capital gains for purposes of expansion, thus ever affording additional employment, and therefore, more tax revenue.

We wish you success in the passage of this bill, and we have written, accordingly, to our Senators and Congressman.

Very truly yours,
H. B. ALEXANDER & SON, INC.,
W. H. ALEXANDER, *Vice President.*

F. HURLBUT CO.,
Green Bay, Wis., May 5, 1958.

Senator HOMER CAPEHART,
United States Senate,
Washington, D. C.

DEAR HOMER: We have read with a great deal of interest, the proposed Capehart bill which will allow faster depreciation of business assets.

We have advocated such a thing for a long time, because, during the current recession we know of no other scheme that would result in quicker reemployment. Industry would be encouraged to purchase new equipment and build new facilities, if they were given some inducement for the chance they might be taking. Because of our interest and belief in the plan, we are writing our Senators, Mr. PROXMIRE and Mr. WILEY, and the fact that this bill will also be introduced in the House of Representatives, we are writing Mr. JOHN W. BYRNES.

We hope they will give their support to the bill. Kindest regards,

Yours very truly,

F. HURLBUT CO.,
By C. J. RENARD.

MAY 5, 1958.

Congressman JOHN W. BYRNES,
House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN BYRNES: We understand there were introduced in the House, by Representative SIMPSON of Pennsylvania, a bill designed by Senator CAPEHART, intended to spur a big capital investment boom by greatly increasing depreciation deductions businesses may take in computing income taxes.

We have felt for a long time that, if during the present recession some inducement were given to business, it would encourage them to increase their capital expenditures or equipment and facilities, that this would be one means of putting men back to work quickly. There is no doubt, that industry, with some encouragement would provide extended facilities now, under present conditions, if advantages might be given them taxwise.

We hope you will extend your support to this bill.

Yours very truly,

F. HURLBUT CO.,
By C. J. RENARD.

(Copy to Senator CAPEHART.)

MAY 5, 1958.

Senator WILLIAM PROXMIRE,
United States Senate,
Washington, D. C.

DEAR SENATOR PROXMIRE: We have read of Senator CAPEHART's proposed legislation designed to spur a big capital investment boom by greatly increasing depreciation deductions businesses may take in computing income taxes.

We have felt for a long time that, if during the present recession some inducement were given to business, it would encourage them to increase their capital expenditures or equipment and facilities, that this would be one means of putting men back to work quickly. There is no doubt that industry, with some encouragement, would provide extended facilities now, under present conditions, if advantages might be given them taxwise.

We hope you will extend your support to the bill.

Yours very truly,

F. HURLBUT CO.,
By C. J. RENARD.

(Copy to Senator CAPEHART.)

MAY 5, 1958.

Senator ALEXANDER WILEY,
United States Senate,
Washington, D. C.

DEAR SENATOR WILEY: We have read of Senator CAPEHART's proposed legislation designed to spur a big capital investment boom by greatly increasing depreciation deductions businesses may take in computing income taxes.

We have felt for a long time that, if during the present recession some inducement were given to business, it would encourage them to increase their capital expenditures or equipment and facilities, that this would be one means of putting men back to work quickly. There is no doubt that industry, with some encouragement would provide extended facilities now, under present conditions, if advantages might be given them taxwise.

We hope you will extend your support to the bill.

Yours very truly,

F. HURLBUT CO.,
By C. J. RENARD.

(Copy to Senator CAPEHART.)

GREEN BAY, WIS., *May 2, 1958.*

Senator HOMER CAPEHART,
United States Senate,
Washington, D. C.

DEAR HOMER: I read in the Journal of Commerce about your bill designed to spur a big capital investment boom.

I have written our Senators as per the attached copy.

I am mighty glad that you are still on the job and you don't seem to change any.

Sincerely,

FRED W. HURLBUT.

MAY 2, 1958.

Senator ALEXANDER WILEY,
United States Senate,
Washington, D. C.

DEAR SENATOR WILEY: We have read Senator CAPEHART'S bill designed to spur a capital investment boom.

I wrote you some time ago about this.

I think you should get behind Senator CAPEHART's bill and push it.

Allis-Chalmers just laid off 500 workmen.

No cut in taxes will put those workmen back to work, but if Senator CAPEHART writes a bill that will force manufacturers to build this year, both buildings and new machinery, I am sure Allis-Chalmers will put those 500 men back to work in a hurry.

We know many firms in our territory, including ourselves, who have put off the building of buildings and buying new machinery because we are frightened.

There has been no tax reduction mentioned yet that will make us build or buy, but you reduce the depreciation to 5 years on new buildings and new machinery and we will be forced to go in and buy immediately.

Sincerely,

FRED W. HURLBUT.

(Copies to Senator WILLIAM PROXMIRE, Congressman JOHN W. BYRNES.)

NELSE MORTENSEN & CO., INC.,
Seattle, Wash., May 7, 1958.
Honorable HOMER CAPEHART,
United States Senator,
Senate Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We would like to commend you on your sponsoring the Capehart bill (S. 3718).

It is our feeling that this bill offers the best means of assisting the depressed industries of the Pacific Northwest at the present time.

Very truly yours,
NELSE MORTENSEN & CO., INC.,
By D. J. SPARLING.

PENDLETON TOOL INDUSTRIES, INC.,
Los Angeles, Calif., May 5, 1958.
Re accelerated depreciation.
Senator HOMER CAPEHART,
Senate Office Building,
Washington, D. C.

GREETINGS: I am glad to learn from the current Business Press that you are pressing for this.

One employee in the capital goods industries keeps three to five busy in the trades and services.

The current recession is principally in the capital goods industries.

Most manufacturers who will take advantage of accelerated depreciation will be doing it for replacement of older equipment, rehabilitation, and projects they cannot afford under normal depreciation schedules.

The net result will be business improvements rather than expansion.

Just think what will happen when 150,000 salesmen for capital goods products go out over the land with the emotional appeal, "buy this and charge it to expense."

Respectfully yours,
MORRIS B. PENDLETON,
President.

KANKAKEE, ILL., *May 8, 1958.*
Senator HOMER CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I was happy to see that you are in back of the legislation to accelerated depreciation. I think you have the answer to getting people to work in 1958 and keeping at work. In regard to depreciation, you should give that privilege to anybody with any kind of a building that calls for depreciation.

I had the pleasure of meeting you at the Morris Inn in South Bend at a small gathering in the summer before your last election. Give my regards to Senator DIRKSEN and Representative LES ARENDS if you see them.

Respectfully yours,
ROMY HAMMES.

PACIFIC SCIENTIFIC CO.,
San Francisco, Calif., May 12, 1958.
Subject: Bill S. 3718, revision of bulletin F.
The Honorable HOMER E. CAPEHART,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAPEHART: I have just heard of subject bill which you have just introduced and want to tell you of my enthusiastic endorsement.

As one who has started a business from the ground up, entirely on retained earnings (since my partners and I had no money with which to start a business), I am keenly aware of the severe handicaps imposed by many tax laws on small business. Actually our tax laws are severe deterrents to individual enterprise and small business, and act almost to force a business to sell out or go public—just to be able to keep up with minimum necessary growth and to protect the owners' families in the event of death.

The present depreciation laws are some of the worst offenders and are particularly burdensome to small business during these days of continuing inflation.

So, your bill has my most enthusiastic support and any suggestions as to ways in which I can help give you backing would be greatly appreciated.

Very sincerely,
DECKER G. MCALLISTER, *President.*

THE ILLINOIS CANNING CO.,
Hoopeston, Ill., May 14, 1958.
Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I am very much interested in reading the transcript from the CONGRESSIONAL RECORD regarding the bill which you introduced on April 28. I am heartily in accord with the purposes of this bill and my only fault would be that I think eventually it should be and will be considered proper to permit the immediate writing off, not only of any expense items, but for so-called additions to capital assets as well. I am convinced that as you have outlined—nothing would have such a beneficial effect on the economy of the Nation, as to permit individuals and business to write off quickly major improvements.

We just had a revenue agent in our office for 3 weeks examining a return for a recent year, and in the course of his examination he disallowed a number of items which we had claimed as expense. All this amounted to was that we have to depreciate these items over the next 3 to 8 years and presently pay out an additional $11,000 in income tax which we will be recovering over the next few years. It seems to me that this is quite a waste of time and money for a revenue agent to spend 3 weeks on items which we will eventually be permitted to discount anyway.

I am writing our Illinois Senators and our Congressman urging support of this measure.

Sincerely,
L. RATZESBERGER, Jr.

PONTOOSUC LAKE COUNTRY CLUB, INC.,
Pittsfield, Mass., May 24, 1958.
Senator HOMER E. CAPEHART,
Washington, D. C.

MY DEAR SENATOR: I have always felt that during a period of recession that a plan similar to yours for depreciation of new equipment, machinery, and buildings, would be the greatest shot in the arm that the country could receive.

If I could write off some new purchases really fast, I would be in the market now for 2 new tractors, a $2,000 mowing machine, and a pickup truck. As it is, I will struggle along with my present equipment for a long time if I must continue depreciating it at the present rates.

I am sure that millions of small-business men, plumbers, carpenters, dry cleaners, etc., would be replacing their trucks and other equipment if they could take their cost as a business expense.

The Government would lose nothing by your plan. Practically everything we buy already has an excise tax on it and everything I buy is taxed as personal property by the city. Besides industry would be earning more money by increased sales and workers would be paying more income tax.

So how can anyone lose?

I hope your plan is accepted.

Sincerely yours,
CHARLES MOXON.

SOUTHWESTERN DRUG CORP.
May 27, 1958.
The Honorable HOMER CAPEHART,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAPEHART: It has been brought to my attention that you have introduced in the Senate a bill which has as its purpose accelerating the period over which the cost of store fixtures can be deducted on tax returns.

It strikes me that this is a sound, constructive antirecession bill. Not only that, but it is particularly advantageous to the independent who finds it necessary to risk his own capital, which in most instances is limited, when installing a new store or modernizing an old one. The independent merchant does not have access to public capital support through the sale of stock as a general rule.

During recent years the capital required in the way of equipment investment has increased greatly and there are many independent merchants today who would be interested in a program of capital spending on modernization programs that simply cannot afford to make the move because of the heavy investment in equipment which is tied to a prolonged depreciation schedule or writeoff period.

You are to be congratulated upon demonstrating forward thinking in proposing a reduced period of depreciation for the man who is willing to risk his capital to develop "plus" sales which provide more jobs and improved business activity generally.

Very truly yours,
WALTER KUNTZ.

THE ELECTRIC FURNACE CO.
Salem, Ohio, May 29, 1958.
Subject: Senate bill 3717, accelerated amortization.
The Honorable HOMER E. CAPEHART,
United States Senator from Indiana,
Senate Office Building,
Washington, D. C.

DEAR MR. CAPEHART: I am enclosing herewith a copy of letter which I have addressed to the Honorable JOHN W. BRICKER relative to Senate bill 3717 relative to accelerated amortization for tax writeoff purposes. I most certainly favor your bill and have attempted to express my reasons in the letter addressed to Mr. BRICKER. A similar letter was also addressed to Mr. LAUSCHE.

It is certainly my hope that both the Senate bill and House bill 11863 will have favorable action, and that in the conference following passage the terms of the Senate bill will predominate for the final legislation as I feel that the time period of the House bill is much too short to be of any particular value.

I do want to emphasize the statement made that I feel that this should be considered only as intermediary or temporary legislation and that a complete study of amortization methods and procedures should be instituted, if not already underway, as the rapidly changing times certainly will obsolete the internal revenue regulations even faster than the machinery itself.

I wish to thank you for your consideration of this problem and for the presentation of this bill to the Senate of the United States.

Very truly yours,
C. H. VAUGHAN,
Assistant Vice President.

THE ELECTRIC FURNACE CO.,
Salem, Ohio, May 29, 1958.
Subject: Accelerated amortization Senate bill No. S. 3717.
The Honorable JOHN W. BRICKER,
United States Senator from Ohio, Senate Office Building, Washington, D. C.

DEAR MR. BRICKER: I am writing to add my views to those of others in connection with the pending legislation for accelerated amortization or fast writeoff of capital expenditures for tax purposes. The Capehart bill, No. S. 3717, now pending is, in my opinion, a good bill and should be passed. I feel that this bill is superior to the Hiestand bill, in the House of Representatives, carrying No. H. R. 11863, due to the fact that the Hiestand bill limits the action to the year 1958 and

thus following its passage would only have 6 months or less in which to be effective.

I feel that the Senate bill is completely in order and should only be considered as a stop-gap bill for a complete reanalysis of amortization procedures in connection with internal revenue regulations.

The rapidly changing industrial picture, due to the developments which have occurred so fast in the last few years, certainly has placed machinery in the position of having a very short useful life due either to complete obsolescence or to partial obsolescence which makes it necessary to rebuild or revise the machinery to suit changing production situations.

In addition, the developments in new materials and production methods have been so rapid in the last few years as also to create fast obsolescence of machinery.

While I have a completely selfish motive in my opinion as our company is entirely engaged in the production of capital production machinery, we are continuously faced in our sales contacts with our customers with their having to justify the expenditures for the production and, of course, one of the large items of justification is the depreciation against income and tax liabilities balanced against the expected period over which the machinery can be justified.

In view of the above, I solicit your sincere consideration of favorable action on Senate bill S. 3717.

Very truly yours,

C. H. VAUGHAN,
Assistant Vice President.

PERU FOUNDRY CO.,
Peru, Ind., May 19, 1958.

Senator HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I am enclosing herewith one of the sheets from the last issue Schaefer's the Dow Theory Trader.

I thought you would be interested in the paragraph which I have marked. Apparently this service feels that your bill has an excellent chance of passing. We earnestly hope this will turn out to be true.

Your efforts in behalf of business in these trying times is very much appreciated.

Yours very truly,

A. F. FRIES,
President.

[From Schaefer's the Dow Theory Trader of May 17, 1958]

BUSINESS OUTLOOK

HOPE ON THE HORIZON

Spring's foliage unfurled further this week and with it came a handful of economic harbingers that also hinted of greener pastures ahead. The signs still did not add up to a solid chorus of guaranties but they helped give reason to the tremendous confidence in the longer-range economy that is reflected by almost every business executive, economist, and industrialist. There is still widespread disparity over when the bloom will be back on the boom but there is little doubt that it is coming back. Most positive indicators of a slowdown, if not a termination, of the recession this week included a Department of Commerce report that retail sales for April showed a 2 percent gain over March with hard-pressed durable goods sales pacing the increase. It was the first such increase so far this year and while it was not overwhelming, its value as a retail morale builder cannot be shrugged off lightly.

In other sectors of the economy, steel production—long at a sluggish snail's pace tempo—took an upturn this week with early estimates indicating the total might reach 1,400,000 tons, slightly more than 50 percent of capacity. Output of steel has lagged below the 50 percent of capacity level for several weeks. Minor but not-to-be-ignored signals of improvement included a rise in the number of housing starts in April over March by some 8 percent; a decline in the number of workers drawing unemployment benefits in the week ended April 26 (for the second straight week); and the aircraft industry, whose own recession began abruptly last year as a result of Defense Department economy cuts, shows definite signs of getting into higher gear as defense and commercial orders come in with increasing volume.

TAX CUT STILL HANGS

Impatience over continued delays of significant tax cutting programs continues to mount. And in Washington the tax-trim storm center obviously hovers. Support for some kind of tax cutting grows and grows and makes it difficult to understand why 100 business and financial leaders—a quasi-official advisory organization of the Commerce Department—remain adamantly against such a plan. This group, the Business Advisory Council, reportedly advises against a tax cut at this time by a three to one majority. Doubt has been expressed that the ratio of the panel for and against the tax cut is that great but it appears that the majority of its members believe that a tax cut simply is not needed in order to get business back on its feet because the majority feel that the end of the recession is here, or very near.

The faith and assurance of such top business leaders that the recession is at its ebb is, of course, gratifying. The group is probably right. But the fact remains, that even if the recession is ending, a sudden about-face and upturn of the economy cannot be expected to take place immediately. The retracing of the business course back up the hill to the wide open road of full prosperity will be a relatively slow, arduous climb requiring much greater time than it took the decline. A major tax cut, discreetly applied, admittedly would serve as a tremendous catalyst in launching the low economy into a lusty orbit. There are too few other tools available to inject real vim and vigor in the business stream. There may be no alternative but major tax cutting in order to revive a healthy economy to higher levels of activity.

Business stands to gain its greatest stimulant from a broad revision of present tax schedules. But the opposition to the move, which ostensibly hinges on the fear of the inflationary effects, has great political ramifications. For all practical political purposes, the Democrats and administration leaders are cooperating on a plan that will postpone broad tax slashing on personal incomes and a revision of taxes on business until as late as mid-July. By then, they hope, business recovery will have made sufficient strides to convince the public that a tax cut is no longer necessary. It is one way that a critical decision can be postponed for another day—maybe not the best method but certainly a very human solution. Instead, to appease the growing demand for action on some kind of a tax cut they may agree on such lesser tax-nipping as the cutting of some excise taxes and other reductions in business taxes. Present talk is for a possible lowering of the excise tax on automobiles from 10 percent to 7 percent and perhaps dropping the freight transportation tax (now 3 percent) to 2 percent. Still another move designed to help business is a plan to increase the deductions for business depreciation by substantially reducing the periods during which capital investments may be written off for tax purposes.

WRITING OFF THE RECESSION

A number of schemes have been tossed into Congress embodying the basic principle of allowing greater depreciation deductions. In effect, the plans cut corporate and business tax payments, stimulate business expansion and modernization which ultimately may create new jobs. Such a proposal as that offered by Senator HOMER E. CAPEHART's bill (Senate bill 3718) apparently has solid administration backing and a good chance of becoming law. Simply, the bill would cut the length of time during which capital investments may be depreciated for tax purposes if they are made or contracted for over an 18-month period. The bill would reduce the depreciation period, which presently is up to 15 years, by 50 percent and for any capital asset with a scheduled life of more than 15 years, the depreciation period would be trimmed by two-thirds. In other words, a new plant of average construction could be depreciated in 16 years instead of 40 years; machine tools could be depreciated in 7½ to 9 years, instead of 15 to 20; and a farmer could write off a new tractor in 5 years instead of 10. Proponents of the plan admit that the bill would mean the postponement of some tax revenues. But, they say, it is probable that the end result of stepped-up capital investment would create even greater tax revenues in the future.

MOUNT VERNON, N. Y, *May 27, 1958.*

The Honorable HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: I have read with interest the editorials and the comments, in the Wall Street Journal, with reference to Senate bill 3718, introduced by you in the United States Senate on April 28, 1958.

I would very much appreciate receiving from you, a copy of this bill along with the established schedule, known as bulletin F.

From what we have read, we are confident that this bill will be a decided improvement on the older form of depreciation and would most certainly tend to create demands for products and facilities not now available.

Yours very truly,

LAWLER AUTOMATIC CONTROLS, INC.
R. C. SMITH, *Secretary.*

VIGGO M. JENSEN CO.,
Iowa City, Iowa, May 27, 1958.

The Honorable SENATOR CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR: We congratulate you on your effort and devotion to a program of action.

We support the Capehart bill (S. 3718) with greatest enthusiasm.

Respectfully,

NILLA E. JENSEN,
President.

M. M. SUNDT CONSTRUCTION CO.,
Tucson, Ariz., May 14, 1958.

Senator HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We have just been furnished by the Washington office of Associated General Contractors a draft of your remarks accompanying the introduction of Senate bill No. 3718, to allow more rapid depreciation of property and equipment to stimulate business and employment. After reading the contents of the bill and your remarks, we felt that it would be only proper that we write to you to extend our deep appreciation to you for having originated such a very fine piece of legislation and to assure you that not only we as a company, but contractors everywhere, and contractors associations throughout the Nation will throw their full support behind this piece of legislation.

We feel that anyone who will make an effort to understand the bill, above all, who will read your remarks accompanying its introduction could do other than agree that this is a very wise, important, and necessary piece of legislation and we are today writing

our own Senators soliciting their full support for the bill. Again thanking you, we are,

Yours very truly,

W. E. NAUMANN,
Vice President.

MAGNETHERMIC CORP.,
Youngstown, Ohio, May 5, 1958.

Senator HOMER E. CAPEHART,
United States Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We have been reviewing with great interest your new bill, No. S. 3718, concerning revision of the Internal Revenue Department Bulletin F, reducing the period which capital investments may be depreciated for tax purposes.

Our company is a small one manufacturing induction heating equipment for heat treating and forging in industry, doing less than $3 million in business a year. The present depreciation laws are greatly hurting our business and I can assure you that the stimulus that this bill would put into our end of the economy would be a great help. This is certainly not only a bill that would help large businesses, but it would help many small companies in the durable-goods field, equally as well.

We sincerely hope that you meet with success in getting an early indictment of this legislation.

Very truly yours,

JOHN A. LOGAN,
President.

MORRISON-KNUTSEN CO., INC.,
Boise, Idaho, May 7, 1958.

The Honorable HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: I note a recent press dispatch to the effect that you have introduced a bill which would authorize greatly increased depreciation allowances on capital assets built or acquired during 1958 and 1959.

Of all the antirecession proposals thus far advanced, I believe yours is the most realistic. The substantial tax savings certainly would provide incentive for new capital expenditure programs and the resumption of many which have been deferred or discarded. It is generally recognized that such programs exert a wholesome and far-reaching influence upon our entire economy, particularly since Federal spending is not involved.

Depreciation allowances under regulations of the Internal Revenue Service are inadequate in the light of present day replacement costs. Adoption of your proposals could be the forerunner of subsequent legislation which would ease permanently the oppressive burden which all industry is now carrying.

I hope that you will be successful in your efforts. I would be greatly interested to learn whether or not you believe there is a chance of your bill winning the committee's approval.

Respectively yours,

H. W. MORRISON,
President.

INDUSTRIAL HEATING
EQUIPMENT ASSOCIATION, INC.,
Washington, D. C., May 2, 1958.

Senator HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR CAPEHART: Thank you for sending me a copy of your new proposed legislation.

Our association wishes to commend you for your wisdom and economic foresight in presenting to the Senate your S. 3718. This bill could do much to improve economic conditions in the country and it appears to offer more of permanent value than might be expected to accrue from many of the other proposals so frequently referred to on Capitol Hill.

Others in the administration share your views. Secretary Weeks participating in a panel discussion last Wednesday at the annual chamber of commerce meeting stated that no greater shot in the arm could be given our economy at this time than the liberalization of the present writeoff procedures. Congressman RICHARD M. SIMPSON, tax authority, and member of the House Ways and Means Committee, participating in the same panel discussion, stated that he shared the Secretary's views and would welcome such a proposal.

It is becoming more apparent every day that Government officials are beginning to recognize the validity of industry views which have for such a long period called attention to the need for revising the table of useful lives under bulletin F. We trust that your measure will be given prompt and favorable consideration by the Congress.

There is but one provision which appears to limit the effectiveness of your measure and that is the time element involved. I think it can be expected that where potential purchasers of depreciable property are aware that they can make purchases at any time up to the end of 1959 and still achieve the faster writeoff features, they can be expected to postpone their buying activity until late in the period. If some method could be devised to encourage immediate procurement I believe your bill would be strengthened infinitely.

My personal view is that the validity period of your proposal might be limited to periods when unemployment were declared by the United States Department of Labor to be in excess of, say 4½ million workers. In this manner, since potential purchasers would not know at what time unemployment would decline to an amount below the limit set that they would be encouraged to make prompt procurement.

The remarks immediately above are not intended to be a criticism of your bill. We merely present them for your review in the event that you have not yet considered them.

Please be assured that our association would be willing to furnish qualified leaders from our industry for the purpose of testifying before appropriate Congressional committees in conjunction with your bill.

Very truly yours,

ROBERT E. FLEMING,
Executive Vice President.

NEW YORK, N. Y., *April 30, 1958.*

Senator HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I noted an announcement in the press that you are advocating the spurring of capital investing by offering rapid tax depreciation.

I wish to tell you that I and a number of friends were discussing that very problem, and I was deputized to write to you. We are in accord with your idea. Rapid depreciation has proved a great help in creating jobs in various building projects, factory installations, utility projects, etc., etc., in the past. This is not a handout, such as Interior Secretary Seaton is trying to arrange for the metals industry—especially zinc and lead. Such handouts never have worked in the past and never will, because they simply do not last long enough. The recipients of the handout will always try to keep same going forever, which is only human nature.

Rapid tax depreciation on the other hand, creates jobs by inducing large corporations to create new properties and installations, and create employment which does not replace other employment. It is only for new projects. It costs the Government nothing, because without it, the new construction, etc., would not take place, and hence the depreciation tax reduction would not go into effect. Also when period of depreciation is fulfilled the project pays higher taxes by same amount as the previous depreciation taken by the corporation, because no further depreciation is deductible. I therefore trust that you will push same through to success. However, I wish to state that such rapid depreciation should not include the purchase of old installations, because it will not create new jobs. I think that you will agree to this amendment.

Wishing you every success, I am,

Sincerely,

HENRY FEDER.

GRIGGS EQUIPMENT, INC.,
Belton, Tex., April 29, 1958.

Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: It is indeed a great pleasure to read your article on page 2 of the Tuesday issue of Wall Street Journal, Texas edition.

I have been pointing out to our Senators and Congressmen the great help that such an accelerated depreciation would give to small companies and the economy of the country.

In our opinion nothing would be fairer yet more quickly reaching the people who should be benefited.

Keep up the good work and do your best to enlist as many of your fine colleagues in this fine effort as you can, because this definitely is a fine step forward. It will not cost the country a thing in the world, in fact in our particular instance had we had the accelerated depreciation 10 years ago, we would probably have been three times as large as we are now, employing a tremendous amount more people, bringing in more payrolls to the town, paying more income tax, and in general being in a much more healthy condition than we are presently. Again sincerely thank you for your efforts toward seeing that this bill does go through.

Very truly yours,

C. V. GRIGGS,
President.

PHOENIX, ARIZ., *May 7, 1958.*

Senator HOMER E. CAPEHART,
United States Senate,
Washington, D. C.

DEAR SENATOR CAPEHART: The Capehart bill (S. 3718) has been brought to my attention.

In my opinion, this proposal, if passed, would have an immediate and beneficial effect on our Nation's economy with no long-term loss of revenue to the Government.

May I urge you to give a great deal of consideration in voting for this proposal.

Sincerely yours,

GERALD W. MCGRATH,
Certified Public Accountant.

CLEMENT BROS. CO., INC.,
Lenoir, N. C., May 12, 1958.

Hon. HOMER E. CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: We highly approve your Senate bill No. 3718 providing for a reduction of 50 percent in the depreciation period on new capital investment during the 2-year period January 1, 1958, to January 1, 1960.

It is our considered opinion that this bill, if approved, will do more to stimulate construction during the 2-year period in question than anything else which can be done. In addition we believe that it will add greatly to the general economy and will eventually result in a substantial increase in Federal revenues.

Please call on us if there is anything we can do to contribute to the passage of this bill.

Yours very truly,

C. E. CLEMENT,
President.

JOHN P. HALLAHAN, CO., INC.,
Philadelphia, Pa., May 12, 1958.

Re Capehart bill (S. 3718).

Hon. HOMER CAPEHART,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAPEHART: We have followed with considerable interest the provisions of the subject legislature.

From the view point of building contractors, we feel that it is not only a sensible measure to provide some relief for the current recession, but also represents a realistic approach toward the solution of the problems caused by current revenue rulings covering the depreciation of capital equipment and structures.

In addition to the reasons set forth by you, when you introduced the bill, which reasons are a matter of record, we wish to point out that the present rate of depreciation of capital equipment, with a life in excess of 15 years, is such that in the face of inflationary economics, a totally depreciated item cannot be replaced for the money set aside as a credit against income tax.

In view of the above, we wish to express our thanks to you and have in addition requested our Pennsylvania Representatives to support the measure.

Very truly yours,
JOHN P. HALLAHAN, CO., INC.,
GREGORY S. WEST,
President.

[From the Portland (Ind.) Dawn of June 1958]

SENATOR PROPOSES STIMULUS FOR ECONOMY—CAPEHART BILL WOULD CUT TAX ON INVESTMENTS—PURPOSE OF SENATOR CAPEHART'S BILL TO RESTORE EMPLOYMENT AND GUARANTEE THE PERMANENCY OF EXISTING JOBS

(Speech of Hon. HOMER E. CAPEHART, of Indiana, in the Senate of the United States, Monday, April 28, 1958)

Mr. CAPEHART. Mr. President, the purpose of the bill I am about to introduce is to restore employment to those who are now out of work, and to guarantee the permanency of existing jobs.

I send to the desk for appropriate reference a bill which will—

First. Create jobs for American working men and women now unemployed;

Second. Add stability to and improve existing jobs; and

Third. Stimulate business with resultant expansion of the national economy in the years to come.

Certainly, there are no more important tasks facing this session of the Congress.

I remind each Senator that a copy of the bill, of my statement on it, and a copy of bulletin F entitled "Tables of Useful Lives of Depreciable Property," issued by the United States Treasury Department, have been delivered to each senatorial office.

BILL IS OF VITAL IMPORTANCE TO EVERY MAN, WOMAN, AND CHILD IN THE UNITED STATES

Because of the extreme importance of the subject matter of the bill to every citizen of the United States, I urge sincerely that Senators study very carefully its provisions, and my statement thereon in relation to the depreciation schedules set up in bulletin F.

IMMEDIATE ACTION BY THE CONGRESS IS URGENT

Once Senators have had the opportunity to study the matter, it is my hope that the appropriate committee will find it possible to hold immediate hearings, so that the bill may be considered thoroughly and passed without undue delay.

Our Nation, its workers, and its businesses need this legislation. I am convinced that no other measure here proposed or under committee consideration will do the all-important job of creating jobs as quickly, as surely, and as soundly as will this bill.

WHAT THE BILL DOES

Mr. President, briefly the bill does simply this: It proposes to reduce substantially the periods during which capital investments may be depreciated for tax purposes if they are made or contracted for over a specified period of 18 months.

For the accelerated depreciation to apply, it would not be necessary that the projected capital investment become a finished reality in the 18-month period.

The depreciation benefit would accrue if the contract for such an investment was made during that period, even though the normal completion or delivery date should fall thereafter.

THE BILL IS RETROACTIVE TO JANUARY 1, 1958

It is proposed likewise that the provisions of the bill be made retroactive to cover capital investments made or contracted for since January 1, 1958.

The reasons for the retroactive feature are obvious. So long as the bill is retroactive in its application, the anticipated capital investment will not be delayed pending the final approval of the bill.

WHAT IS SCHEDULE F?

Mr. President, as I have said, each Senator has been provided with a copy of schedule F, entitled "Tables of Useful Lives of Depreciable Property," issued by the United States Treasury Department, IRS 173. This schedule contains tables of the numbers of years of useful life of capital investments as now computed by the Bureau of Internal Revenue.

Senators should keep these figures before them constantly in considering the measure and study them in relation to my statement on the bill and the bill itself.

THE BILL COVERS ALL CAPITAL INVESTMENTS

The internal revenue schedule to which I have referred sets up depreciation periods for capital investments based on the estimated life of the product of the investment, be it buildings, machine tools, farm equipment, or any of the hundreds of other items covered by the broad term of "capital assets." The bill would apply to all of them so that its advantages would accrue to all on exactly the same basis.

TEN MILLION JOB SOURCES

The provision of the bill would be applicable to farmers and to small and big business alike.

It has been estimated that there are some 6 million farmers in the United States.

There are some 4 million businesses of every size and description.

Thus, when we pass the bill we will be making it possible for these 10 million business units to put more people to work almost at once.

SPECIFIC PROVISIONS OF THE BILL

Let us see what the bill will do.

First, it will encourage the 10 million job-producing units in this country to do now what they may have anticipated for the future and open up financing to enable them to do it.

Second, it will create now hundreds of thousands of jobs for people who do not have jobs.

Third, it will act as a guaranty of greater security and improvement in existing jobs.

WHO WOULD BE THE MOST ENTHUSIASTIC ABOUT THIS BILL?

It is perfectly obvious that the most enthusiastic supporters of the bill would be the men and women who want and need jobs, and the men and women who run the 10 million business units which could provide those jobs.

Their enthusiasm would be shared, too, by the men and women who now have jobs because they would benefit through improvement in, and greater stability of, the work they are now doing.

All American taxpayers should support the bill because it provides a way to cure the present recession and expand the national economy without costing the taxpayers a single penny.

EXAMPLES OF HOW DEPRECIATION WOULD BE FIGURED UNDER THIS BILL

For a farmer, a new tractor could be depreciated within 5 years instead of 10 years; a threshing machine would be depreciated within 7½ years instead of 15 years; a corncrib could be depreciated within 12½ years instead of 30 years.

For the small factory owner, tools and dies could be depreciated in 1½ to 2 years instead of 3 to 4 years; heavier machinery and tools could be depreciated in 7½ to 9 years instead of 15 to 20 years.

For heavy industry, a new plant of average construction could be depreciated in 16 years instead of 40 years.

For transportation systems, the beneficial effect of the bill on our dilemma-ridden railroad system would be tremendous. Because they could depreciate it more rapidly, it is my best judgment that the railroads would immediately acquire hundreds of millions of dollars' worth of new equipment. Of course, the bill would also be applicable to other forms of transportation.

Mr. THYE. Mr. President, will the Senator yield for a question?

Mr. CAPEHART. Please let me finish my statement; then I shall be happy to yield.

For wholesale and retail establishments, the bill would provide an incentive for wholesale and retail stores to carry out now the renovation programs—new store fronts, new fixtures, and so forth—that they may need and have been anticipating in the future.

WHY THIS IS THE BEST BILL THE CONGRESS COULD PASS TO PUT PEOPLE BACK TO WORK TODAY

This bill has many advantages over public-works programs.

Public-works programs are selective. The people thus employed would, at best, be only a fraction of those who need jobs.

Public-works projects would help in only certain scattered areas. Generally speaking, they would take a long time to get underway.

In addition, under this bill, workers would be more likely to get jobs in their own communities, rather than to have to move to an area in which a public-works project is planned, because this bill will make it possible for 10 million business units in the United States to act the very hour the bill is enacted, and to use their own capital, instead of the taxpayers' money.

The PRESIDING OFFICER (Mr. MORTON in the chair). The time yielded to the Senator from Indiana has expired.

Mr. CAPEHART. Mr. President, will the Senator from California yield 2 additional minutes to me?

Mr. KNOWLAND. Yes, Mr. President; I yield 2 additional minutes to the Senator from Indiana.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 2 additional minutes.

Mr. CAPEHART. I thank the Senator from California.

THE ADMINISTRATION HAS TAKEN SOUND STEPS

Mr. President, the administration and the Congress have moved with admirable courage and speed to take the steps it has been possible to take up to this time to cure our economic ills. They have been constructive steps, and I am sure that all of us have approved of the motives behind them.

But here is a new, an additional and a wholly businesslike approach that will complement the program that already is under way.

I repeat that this bill would not cost the taxpayers a penny.

PERMANENT JOBS CREATE NEW TAX SOURCE

It is true, Mr. President, that this bill would have the effect of postponing some tax revenues. But, at the same time, it is altogether possible—yes, even probable—that the end result of stepped-up capital investments would, over the long pull, create even greater tax revenues in the future. I believe that this would be the case. There is every reason to believe that this would be the case because these, Mr. President, would be lasting and permanent jobs which would grow out of the creation of new, permanent, and lasting capital assets, to add to the wealth of the Nation and to expand our economy over the years to come.

This, then, Mr. President, is the best way to create jobs. It is the best way to add stability to existing jobs. It is the private-*enterprise way*. It lets America's 10 million business units solve the problems of our economy, without costing the taxpayer a penny.

Because this is the best way, let us get the job done just as quickly as the legislative process can be completed.

Mr. President, I ask unanimous consent that the text of the bill which I am introducing be printed at this point in the RECORD.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 3718) for the purpose of creating new jobs, giving greater stability to and improving existing jobs, and stimulating business during the next 18 months with resultant expansion of the national economy in the years to come, by amending the Internal Reveneu Code of 1954 so as to allow more rapid depreciation for property constructed or acquired during 1958 and 1959, or for the construction or acquisition of which a contract is entered into during 1958 or 1959, by reducing the useful life of such property for income-tax purposes, introduced by Mr. CAPEHART, was received, read twice by its title, referred to the Committee on Finance, and ordered to be printed in the RECORD, as follows:

"*Be it enacted, etc.*, That section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (h) as (i), and by inserting after subsection (g) the following new subsection:

"'(h) Special rule for determining useful life of new property constructed or acquired during 1958 or 1959:

"'(1) Special rule: For purposes of this section, the useful life of property described in paragraph (3) shall, at the election of the taxpayer, be a period equal to—

"'(A) one-half of the useful life of such property (determined without regard to this subsection), to the extent that such useful life does not exceed 15 years, plus

"'(B) in the case of property which (without regard to this subsection) has a useful life in excess of 15 years, one-third of the useful life of such property (determined without regard to this subsection), to the extent that such useful life exceeds 15 years.

"'(2) Limitation: The useful life of any property shall not, by reason of the application of paragraph (1), be less than 3 years.

"'(3) Property to which subsection applies: Paragraph (1) shall apply only to property—

"'(A) the construction, reconstruction, or erection of which is commenced during 1958 or 1959,

"'(B) which is acquired during 1958 or 1959, and the original use of which commences with the taxpayer and commences after 1957, or

"'(C) which is acquired, under the terms of a written contract entered into during 1958 or 1959, within a reasonable time after 1959 (taking into consideration the type of such property and such other factors as the Secretary or his delegate may prescribe by regulations), and the original use of which commences with the taxpayer and commences after 1959.

"'(4) Application to new construction: In the case of property described in paragraph (3) (A), paragraph (1) shall apply only to that portion of the basis of such property which is properly attributable to construction, reconstruction, or erection during the period of 18 months beginning with the day on which the construction, reconstruction, or erection of such property is commenced.

"'(5) Election:

"'(A) When and how made: The election provided by paragraph (1) shall be made with respect to any property within the time prescribed by law (including extensions thereof) for filing the return for the first taxable year for which a deduction under subsection (a) is allowable with respect to such property. The election shall be made in such manner and in such form as the Secretary or his delegate shall prescribe by regulations. This subsection with respect to any property shall not be revoked except with the consent of the Secretary or his delegate and under such terms and conditions as the Secretary or his delegate may prescribe.'

"SEC. 2. The enactment made by this act shall apply to taxable years ending after December 31, 1957."

Mr. THYE. Mr. President, will the Senator from Indiana yield to me?

Mr. CAPEHART. I yield.

Mr. THYE. If the bill were enacted into law, and went into effect, how much revenue would be lost to the Treasury?

Mr. CAPEHART. None. But revenue would be postponed; how much, I do not know. Of course, the more of it which was postponed, the more jobs would be created, and the bigger and the better would be our economy.

At the moment it would seem that the amount of revenue postponed would be between $600 million and $1 billion, the first year. But certainly that would be much better than to have the Federal Government spend $1 billion a year on public works.

No one knows how much revenue would, as a result of enactment of the bill, be postponed; but the more postponed, the more jobs would be created.

Mr. LAUSCHE. Mr. President, will the Senator from Indiana yield to me?

Mr. CAPEHART. I yield.

Mr. LAUSCHE. Has the Treasury made an estimate in this case?

Mr. CAPEHART. No. But the Treasury, the administration, the House Ways and Means Committee, and the Senate Finance Committee have been considering many, many proposals; and I am sure they have considered this one and will consider it further.

Mr. LAUSCHE. In connection with the committee's consideration of railroad bills, members of the committee expressed the hope that such programs would be put into effect and would be accelerated. But the administration suggested that that should not be done, because it would involve a principle which should be made applicable on an overall basis.

Mr. CAPEHART. My bill would make it applicable throughout the United States, to the extent of 10 million business units. As a result, many persons would be put to work immediately.

LEGISLATIVE PROGRAM—ORDER FOR CONSIDERATION OF LABOR-HEW APPROPRIATION BILL

Mr. JOHNSON of Texas. Mr. President, I should like to announce that if we conclude action on the pending legislation tomorrow, it is anticipated we shall take up the Labor-HEW appropriation bill.

I ask consent that it be in order to consider that bill tomorrow.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, we do not anticipate a Saturday session. I expect to have a calendar call on Monday. Then we will proceed to the consideration of the atomic energy bill. I would not anticipate any votes on that bill on Monday, and I think Members of the Senate may be assured that, so far as the leadership is concerned, we shall not ask for any rollcalls on the atomic energy bill on Monday.

At the conclusion of the consideration of the atomic energy bill, subject, of course, to the very high priority that conference reports have as privileged matters and that appropriation bills have, because of our desire to get them through before the fiscal year ends, we shall then take up the Alaska statehood bill.

The question has been raised as to whether we would proceed to the consideration of the House-passed bill on Alaska or the Senate-passed bill. It is my intention to move to proceed to the consideration of the House-passed bill on Alaska, and it is my hope that we may conclude debate on the Alaska bill and have a vote on it by the end of the week, so that we can take up some other very important matters pending before the Senate that need to be acted upon before the end of the fiscal year.

THE NEED FOR DEFICIT FINANCING AND TAX CUT

Mr. MORSE. Mr. President, Prof. Paul B. Simpson, of the Department of Economics of the University of Oregon, is recognized as an exceptionally able economist. He has written a letter to the editor of the Oregonian under date of June 13, 1958, in which he sets forth very cogent arguments in support of deficit financing and tax cuts at this time.

I ask unanimous consent to have the letter printed in the RECORD, and I wish to associate myself with his observations, because I completely agree, as my speeches in the Senate have shown, with the premises Professor Simpson has laid down in his very able letter.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

RECOVERY PROCESS

To the EDITOR:

If further governmental steps are taken to stimulate economic recovery, a lowering of taxes seems preferable to additional easing of bank credit. One reason is that bank credit is potentially far more inflationary. This lesson was taught by the experiences of the recessions of 1949 and 1954. The immediate recovery periods, 1950 and 1955, were characterized by large expansions in production and by small rises in prices. Subsequently, however, in 1951 and 1956, the full inflationary significance of increased money became apparent. There is no reason to be-

lieve that easing credit if it succeeded in stimulating recovery would have different consequences now.

The opinion is frequently expressed that there is something unsound and inflationary about deficit expansion, whereas credit manipulation is more conservative and sound. From the standpoint of inflation, credit ease is more dangerous. Without new money or increases in rate of use of money, Government deficits cannot be inflationary, since the monetary base of excessive demand does not exist. Government deficits without easy bank credit merely make sure that the existing money supply is used in productive channels.

Another reason for preferring deficit financing at the present time is that the job of stimulating recovery is larger in the sense of credit adjustments than it was in 1949 or 1954. According to the money flow studies of the economists of the Federal Reserve System, the amount of funds coming from households in the form of insurance purchases, pension reserves and the like, which are subsequently lent to various borrowers, was about $10 billion in 1948 and $20 billion in 1953. A comparable figure for 1957 is probably near $30 billion.

In 1957 the borrowing was done largely by business, to a much greater degree than formerly. It is certain that business borrowing has declined in 1958 and probable that it will continue to do so. Consider the implications of these facts to the recovery process. The recoveries from 1949 and 1954 were accomplished very largely by the willingness of households to borrow money for home and other durable goods purchases, and thereby to replace the declining demand for funds by business.

There is much less chance in 1958 that expansion in borrowing by households will be adequate to offset the decline in borrowing by business, merely because the levels of borrowing and lending are so much higher than they were. It will certainly take some time for household borrowing to increase as much as $10 billion annually, yet increases of this size seem necessary to stimulate prosperity. This argues for business stimulation through the borrowing of the Federal Government, which can be brought about quickly with lower taxes.

The gross debt of the United States had declined slightly since the end of the war. Net debt, subtracting assets held by the Government, has declined substantially. Moderate use of deficit financing could scarcely be considered unsound at this time.

PAUL B. SIMPSON,
Professor, Department of Economics,
University of Oregon.

OMNIBUS JUDGESHIP LEGISLATION: A CRITICAL NEED

Mr. KEFAUVER. Mr. President, as all lawyers in the country know, and as members of the Judiciary Committees of the House of Representatives and the Senate are especially well aware, there is serious congestion in the Federal courts of the United States. Many litigants in the Federal courts have been unable to get their cases determined. Many cases have been on the dockets for many, many years. In some cases the delays have been so long as, in effect, to amount to a denial of justice to many litigants.

The courts of the United States account for a very small amount of the expenditures of the Federal budget, but the judiciary system is of primary importance to us, as we all know.

Mr. President, the Attorney General of the United States has had a conference to evaluate the work of the first conference on court congestion. This conference was held in Washington. Addressing the conference was Bernard G. Segal, the distinguished chairman of the standing committee on the Federal judiciary of the American Bar Association. Mr. Segal sets forth what are to me unanswerable arguments in favor of the passage of an omnibus judgeship bill. There is a critical need for the passage of the bill to authorize the appointment of new judges, both at the district court and the circuit court levels.

Mr. Segal's address is so pertinent and the arguments are so persuasive, Mr. President, that I ask unanimous consent the address be printed at this point in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

OMNIBUS JUDGESHIP LEGISLATION—A CRITICAL NEED

(By Bernard G. Segal)

I

The Attorney General's letter convening this conference, enjoined us to evaluate whether the work of the first Conference on Court Congestion, 2 years ago, had proved of lasting value, or of no more than temporary significance. A very large part of the answer to that question depends on whether the omnibus judgeship bill will pass into law. I hope it will. I hope all our efforts here for these 2 days, and the momentum of all the activities we can put into motion, both as individuals and as designated representatives of large portions of the bench and bar of the Nation, will result in a surge of effective public opinion, convincing to Congress, of the imperative need for this bill.

When the Attorney General's conference first convened here in May 1956, there were then pending in the 84th Congress omnibus judgeship bills embodying the recommendations of the Judicial Conference adopted at its September 1955 meeting. They provided for 21 new judgeships, which are still contained in the current omnibus judgeship bill. At that first Attorney General's Conference, Chief Judge Biggs reviewed the omnibus judgeship bills as they stood in the Senate and the House, adduced convincing reasons and statistics in support of the bills, and optimistically reported the information which had come to him that it was the plan of both Judiciary Committees of the House and Senate to move those bills forward. The sobering fact is that today, 2 years later, and almost 3 years after the Judicial Conference adopted the recommendations, not a single one of the judgeships asked for in those omnibus bills has been created.

But if the legislative program remained static, the recommendations of the Judicial Conference did not, and the mounting needs created by the increase in the quantity and complexity of litigation resulted in recommendations at the September 1956 meeting of the Judicial Conference for 37 additional judgeships in place of 21, and by last September 1957, the situation had grown so much more critical that the number of additional judgeships recommended had risen to 45.

The 1956 Judicial Conference recommendations for 37 judgeships were embodied, with only a single deviation, in the omnibus judgeship bills now pending in the Congress—S. 420, introduced by Senator EASTLAND, chairman of the Senate Judiciary Committee, and H. R. 3813 introduced by Congressman CELLER, chairman of the House Judiciary Committee. Public hearings were held on S. 420 almost immediately after introduction, but there has been no action on either S. 420 or H. R. 3813 since then. Both bills still rest in committee.

True enough, the Senate acted favorably in the first session of the present Congress on a number of bills creating additional judgeships, but these bills failed of House approval. The Senate bills would create 24 additional judgeships; they omit 15 of those recommended by the 1956 Judicial Conference and add 3 not included in any of the Judicial Conference's recommendations to this day.

The 1957 Judicial Conference recommendations for 8 more judgeships, bringing the aggregate number of new judges to 45, have not yet been included in any omnibus judgeship bill in either House.

Hereafter, when I use the phrase omnibus judgeship bill, I shall be referring to a bill containing all of the recommendations of the Judicial Conference, 45 new judgeships—a bill which, though phantom today, will I hope become a reality shortly by amendment of S. 420 and H. R. 3813.

Why is it that we still have no omnibus judgeship act? Is there anything wrong with the recommendations of the Judicial Conference on which the omnibus judgeship bill is based? To answer those questions, we must first review the procedures by which the recommendations were arrived at.

II

Up to 2 years ago, the Judicial Conference consisted of the chief judges of the 11 circuits and the Chief Justice of the Supreme Court, who presided. Since then, it has been strengthened by the addition first of the chief judge of the Court of Claims, later of a district judge selected to represent the district courts of each circuit, so that the Judicial Conference now consists not only of appellate judges, but of trial judges as well.

The Judicial Conference has two committees of judges charged with the responsibility of making the studies pertaining to the needs of the various Federal courts for additional judges, and of making recommendations on this subject. One is the Committee on Judicial Statistics, of which Chief Judge Clark is Chairman.

This Committee makes a circuit-by-circuit and district-by-district study of the statistical matter pertaining to the handling of all types of cases, civil and criminal, in the Federal courts. In this, it works closely with Mr. Will Shafroth, Chief of the Division of Procedural Studies and Statistics of the Administrative Office of the United States Courts, and has available to it the very complete and thorough data and statistics compiled by Mr. Shafroth's office.

I do not know how many of you have taken occasion to look at the annual report of the Director of the Administrative Office. You would find it imposing in its completeness and its thoroughness. I have been tremendously impressed by the scope and the detail of the facts and figures it contains pertaining to every United States court.

The Committee on Judicial Statistics, on the basis of its studies, makes recommendations to the other Committee of the Judicial Conference which participiates in formulating the recommendations for additional judges; namely, the Committee on Court Administration of which Chief Judge Biggs is chairman.

Judge Biggs' committee in turn applies the human equation to statistics. Its members consider other aspects of the work of the court in each circuit and each district—nonstatistical aspects, personal and personnel problems, the personalities of the judges, conditions of health, distances to be traveled, population concentration and characteristics; in short, every relevant consideration bearing upon the number of judges required in each circuit and in each district. These two Committees report their conclusions to the Judicial Conference.

To supplement the reports of the Committees, the Judicial Conference has the advantage of the reports of the chief judge of each circuit and the representative district judge from each circuit. The recommendations of the Committees on Court Administration and on Judicial Statistics are carefully inspected by the Judicial Conference and once again discussed circuit by circuit and district by district. Here, the suggestions are subjected to the scrutiny, in every case, of judges from the circuit involved who are familiar at first hand with conditions existing there. The Conference accepts or rejects, or sometimes modifies, the recommendations of the two Committees.

The Judicial Conference has established an objective, a reasonable one. Its aim is "to get the courts on the basis where an 'ordinary case' can be disposed of within 6 months from filing to trial"—a situation which now exists in only 7 of the 94 district and Territorial courts, and in no district situated in a busy metropolitan area.

It is only after the searching process I have outlined that recommendations for additional judgeships are arrived at. I can think of no better method.

When a need for more judges has been discovered, studied, and agreed on, by such means through such a process, with conclusions based on published impartial statistics and responsible personal knowledge of all the conditions involved, and when it has been further objectively considered in the overall view of the whole judiciary branch ference, can anyone seriously doubt the vawhich is the province of the Judicial Conlidity of the need? Or doubt the urgency?

The only criticism that has been voiced over the years is that the Judicial Conference has characteristically been too conservative in its recommendations, never too liberal. The need is usually far more urgent than the cautious Conference reports have indicated. And the urgency increases, for on the average, there has been a time lag of 3½ years between the recommendation for a judgeship and a judge's coming into the office in which he has by then been critically needed for a very long time indeed.

The present omnibus judgeship bill originated in this process. Statistics proved the need, personal aspects indicated the urgency, the Committees of the Conference reported, the Conference formulated its recommendations. Then, as has been the custom since Chief Justice Taft lent sanction to the practice of judges advising and participating in the drafting of judiciary legislation, a bill was prepared by representatives of the Judicial Conference—in this case by Chief Judge Biggs and Judge Maris—with the assistance of the administrative office. It was then forwarded by the Director of the Administrative Office to the President of the Senate and the Speaker of the House with the request that it be introduced and referred to the appropriate committees, the Judiciary Committees.

These procedures by which the provisions of the omnibus judgeship bill were arrived at give positive assurance of their correctness. But the provisions also bear the additional and convincing authority of the practicing lawyers of the country.

For upon unanimous motion of the standing committees on Federal judiciary and on judicial selection, tenure, and compensation, the house of delegates of the American Bar Association at its meeting in Chicago in February 1957 unanimously endorsed the bill as it then stood; and in February 1958, at Atlanta, the standing committee on Federal judiciary unanimously reported in favor of the enlarged bill, and once again the house of delegates approved it without a dissenting vote.

The house of delegates, of course, is an elected assembly representing groups of the organized bar, which in turn have a membership consisting of approximately 90 percent of all the lawyers of the country; its delegates come from every one of the States and Territories of America. Here, each recommendation was again carefully scrutinized, this time by practicing lawyers from every circuit and district for which a judgeship was recommended, each lawyer himself applying his specialized knowledge of the conditions in his own district. Any member of the house of delegates may recommend amendment proposing either addition or omission of judgeships. None did so. The national conference of bar presidents likewise unanimously endorsed the bill. Accordingly, the omnibus judgeship bill bears the imprimatur of the widest possible cross section of Federal judges and of practicing lawyers.

It is difficult to conceive a bill the origin, support, and substance of which could carry greater authority than this one.

III

I have described in some detail the manner in which an omnibus judgeship bill is born in order to demonstrate the strong authority of knowledge and responsibility that lies behind its recommendations. I want next to lay before you enough of the facts to show at least by illustration the actual conditions facing the Judicial Conference. Professor Freund has said, "To understand the Supreme Court of the United States is a theme that forces lawyers to become philosophers." I fear that to understand the omnibus judgeship bill is a theme that forces lawyers to become statisticians.

The omnibus judgeship bill provides for the addition of 41 district judges ranging from Alaska throughout the United States, and 4 circuit judges.

In 1941, 38,000 civil cases were filed in the Federal trial courts. By the end of 1957, the number had increased to 62,000. The backlog of cases at the end of 1941 was 29,000; 16 years later, it was over 62,000. Thus the number of civil cases filed annually in the United States district courts has risen more than 62 percent since 1941, while the backlog during the same period has increased more than 112 percent. The situation is even worse with regard to private civil cases, which consume so much more time than any others. Here the increase in the number of cases filed is 94 percent, and the increase in the backlog is 144 percent.

Now, what has happened to the number of judges available to process these cases? In 1941, there were 197 district judges; in 1957, there were 248. So that to handle an annual increase of more than 62 percent in the number of cases filed and of 112 percent in the number still pending at the end of the year, only 26 percent more judges have been provided. The result is that whereas an average of 190 cases were commenced per available judge in 1941, the average was 248 per judge in 1957. Correspondingly, at the end of 1941, the backlog was 145 cases per judge; in 1957 it was 264.

A startling fact is that, since 1954, the number of judgeships in the Federal courts has actually been reduced—from 251 to 248. This is because 3 positions have been lost through the expiration of 3 temporary judgeships. Yet 3,000 more civil cases were filed in 1957 than in 1954.

The result is a staggering backlog of civil cases for many district judges. Today, in the eastern district of Pennsylvania, the backlog is 502 per judge; in the eastern district of Louisiana the backlog is 974 per judge; in the district of Alaska, third division, the backlog is a monumental 1,628 for the judge in the division.

Small wonder, then, that the length of time for getting cases heard has reached a point where the national median time interval was 14.2 months in fiscal 1957, and the interval from filing to disposition of private civil cases during the same period was approximately 47 months in the eastern district of New York, 35 months in the western district of Pennsylvania, 30 months in the northern district of Ohio, and 28 months each for the southern district of New York, the eastern district of Pennsylvania, and the eastern district of Wisconsin.

IV

I have not heard it asserted that any of the judgeships provided by the omnibus judgeship bill are not needed; indeed, I am sure that any public hearings held on the bill will reveal, not that it seeks too many judgeships, but rather that it asks too few. This being so, we come to the question: What can we do about it?

Our task is to bring home to the American people that the catastrophe is upon us, and the need for the cure is desperate.

What can we do about it? We can broadcast this message to all America. We must remember that the overwhelming weight of the public opinion of the country will be in our favor, once the public has been informed of the true condition of the courts and the real merits of the bill.

This is not the first time that legislation which everyone knew was critically needed waited for years until a convincing demonstration of public support resulted in its enactment. The same situation prevailed with respect to the bill increasing the salaries of Federal judges and Members of the Congress. On that occasion, we learned the important lesson that behind every movement for improved efficiency and effectiveness in government, there is an overwhelming weight of favorable public opinion, which unfortunately has no channel in which to direct itself toward its object.

In connection with the salary bill, we also learned effective methods of marshaling this public opinion. I refer to but one of them. At the beginning, we wrote letters to the editors and publishers of more than 10,000 American newspapers, magazines, and other journals of opinion, soliciting their views and enlisting their support. Hundreds, I daresay, thousands, published our letters in full; extensive editorial comment followed; communications came through the mail from members of the public in every corner of the country who theretofore had not even known the problem existed. Under the leadership of the American Bar Association, the responsible organized groups in the fields of agriculture, labor, business, and the professions were mobilized into action. The enormous volume of expressed opinion, all gathered in the compass of one report, proved of immeasurable assistance to the Congress in its soundings of public sentiment and its deliberations, and in inducing the final enactment of the desperately needed legislation. Even such testimony in opposition, as so wide a cast of the net was bound to haul up, served only to point out the overwhelming weight of sentiment in favor of the bill.

I profoundly believe that the same measure of effort would produce the same desired result in achieving the present legislation.

Where shall the leadership come from? The source was spotlighted this morning, when this conference was addressed by the distinguished president of the American Bar Association, the same man who 4 years ago served as general counsel to the Commission on Judicial and Congressional Salaries.

All the resources of the American Bar Association in existence when the campaign for adequate Congressional and judicial salaries was being waged are still available. In addition, during Mr. Rhyne's administration, two new agencies have been set up. One is a special committee on Federal legislation, the chairman of which is a highly esteemed former United States Senator, Robert W. Upton, of New Hampshire. The

committee has an advisory group, the members of which come from every State in the Union. In addition, a Washington office of the American Bar Association has been established, under Mr. Donald E. Channel as director, as a clearing house for the activities of the association in its endeavor to be of help to the Congress in marshaling public sentiment in support of greatly needed legislation in the public interest.

V

As a Nation, we cannot be proud, we must be dismayed, at the dismal picture Federal court congestion presents. "If this condition is not remedied," Chief Justice Warren warned just last month, "it will seriously undermine what we have described as 'the keystone of America's strength' and will dilute what we have proclaimed as our 'main claim to moral leadership in the world community.'" It is entirely clear, that the plain and serious crisis before us, can be met only by a solution comparable in size and scope to the need to which it is addressed. Only the large, specific measures contained in the omnibus judgeship bill will be enough of a remedy. Only that bill's prompt enactment will prove America's determination to make our judicial system work.

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following routine business was transacted:

HOUSING ACT OF 1958—ADDITIONAL REPORT OF A COMMITTEE—MINORITY AND INDIVIDUAL VIEWS (S. REPT. NO. 1732)

Mr. SPARKMAN. Mr. President, from the Committee on Banking and Currency, I report an original bill, the Housing Act of 1958, and I submit a report thereon, together with minority views, and the individual views of the Senator from Connecticut [Mr. BUSH]. This bill is an omnibus bill for the current legislative year, and Senators will note that reading the bill and the report that it covers a wide range of subjects affecting most of the housing programs over which the Housing Subcommittee and the Banking and Currency Committee have jurisdiction.

I call to the attention of the Senate the fact that this is the third housing bill reported by the Banking and Currency Committe this year. The first was the Sparkman emergency housing bill of 1958, which was designed to combat the recession by providing assistance to home buyers, builders, and lenders, and the myriad of industries which make up the home-building industry; by reducing downpayments, eliminating discount controls, providing additional mortgage money, and reactivating the dormant VA home loan program. I am glad to say that the Sparkman emergency housing bill succeeded. It has succeeded so well that both the FHA and the VA levels of insurance and applications have risen enormously.

The increase in FHA applications has consumed the existing FHA authorization and in turn caused the Banking and Currency Committee to report out a special resolution providing an additional $4 billion in FHA authorization to carry us through the current building season. This special resolution was the second of the housing bills reported this year.

The bill presently being reported contains, as I said previously, many needed revisions and additions to our existing housing statutes which could not be adequately carried in the two bills already passed by the Congress. The bill contains seven titles. These titles are as follows: Title I, FHA Insurance Programs; Title II, Housing for the Elderly; Title III, Urban Renewal; Title IV, Low-Rent Public Housing; Title V, College Housing; Title VI, Armed Services Housing; and, Title VII, Miscellaneous.

I do not propose to discuss at length and in detail each of the proposals in the committee bill. I will, however, comment upon what I consider to be the major features of this bill, and insert in the RECORD following my remarks a copy of the section-by-section analysis which does contain an explanation of each of the sections of the bill.

So far as the provisions of title I are concerned, the bill would extend the FHA home improvement loan program for 1 year, until September 30, 1960. To assist sales housing, maximum mortgage amounts are increase from $20,000 to $22,500 for 1-family homes; from $20,000 to $25,000 on 2-family homes; and from $27,000 to $30,000 on 3-family homes.

The bill seeks to spur rental housing by a variety of devices, one of which is to increase the dollar limitations per room and per unit presently applicable to rental housing mortgages insured under FHA section 207. The terms under which a cooperative housing mortgage may be insured are liberalized and cooperatives are permitted to include community facilities in mortgages on property held by sales-type and investor-sponsored cooperatives.

FHA's general mortgage insurance authorization was increased by $4 billion for each of the years beginning July 1, 1959, 1960, 1961, and 1962. This would be in addition to the $4 billion authorized by Public Law 85–442, which I referred to previously.

A serious attempt has been made to give impetus to the urban renewal program by liberalizing the terms under which mortgages which may be insured by the FHA in urban renewal projects. The provisions of both sections 220 and 221 are substantially changed in order to provide this impetus.

An entirely new program of housing for the elderly has been developed. This program is meshed into the FHA insurance program and would provide liberal mortgage terms for builders who build housing designed for the elderly, with a preference to elderly persons. In addition, the bill also makes proprietary nursing homes eligible for FHA mortgage insurance for the first time.

The principal provisions in the urban renewal title make available a 6-year capital grant authorization of $350 million per year. This annual amount could be increased by $150 million in any 1 year, with the approval of the President.

Title III also contains numerous other amendments which are designed to remove some of the obstacles which have prevented communities from participating in, or from realizing the full benefits of, the urban renewal program. The bill also provides that relocation payments may be made when displacement occurs as a result of any governmental activity in an urban renewal area or when displacement results from voluntary repair or rehabilitation within those areas. The bill seeks also to provide a priority of opportunity for displaced businesses which seek to relocate in the newly developed area.

Title IV—low-rent public housing—may best be described as a rewrite of certain sections of the public housing statutes so as to return to the local communities the responsibility and authority for controlling and operating local public housing projects. In addition, local authorities would be permitted to sell low-rent dwelling units to public housing tenants with the local agency retaining an option to repurchase the dwelling if the family fails to carry out its contract of sale. The present allocation of public housing units, which was made available in 1956 and which has remained largely unused, would be extended for 1 year and an additional 35,000 units would become available on July 1, 1959.

One of the most successful programs we have had recently has been the college housing loan program. The committee bill seeks to continue this program by authorizing an additional $400 million for existing college housing programs, $300 million of this amount would be for the regular purposes of the program; that is, loans for college dormitories, $50 million is reserved for other educational facilities such as student unions, cafeterias, and so on, and $50 million is reserved for student-nurse and intern-housing facilities. Another section of title V of the bill authorizes the administrator to make loans to educational institutions for the construction of new, or rehabilitation of existing, classrooms, laboratories, and related facilities. A revolving fund of $250 million is provided to finance this new loan program.

The armed services housing program, which provides housing for military personnel at or near military establishments throughout the country, is extended for 1 year, or until June 30, 1959, in order to permit the services to complete the housing anticipated to be built under the present authorization. In addition, title VI contains provision for a new program which would authorize the FHA Commissioner to insure mortgages on single-family and multifamily projects if the need for these units is certified by the Secretary of Defense. Priority in rental of these properties would be given to military personnel and essential civilian personnel of the armed services.

The bill also contains amendments which would increase from $15,000 to $20,000 the dollar limit applicable to mortgages purchased by the Federal National Mortgage Association under its secondary market operations. The requirement that the FNMA purchase special assistance mortgages at par is extended for 1 year, until August 7, 1959.

The program for farm housing research is extended for 3 years in order to carry out the research programs which have just recently begun. An annual appropriation of $100,000 for each of these 3 years is authorized.

The bill also amends the direct home loan program of the Veterans' Administration by providing an additional $150 million for VA direct home loans. The committee felt it was necessary to add to existing funds for direct home loans in order to accommodate the many thousands of veterans who have sought this benefit and who have been denied by reason of the fact that no funds were available.

Mr. President, I ask unanimous consent that the report may be printed, together with the minority and individual views.

The PRESIDING OFFICER. The report will be received and the bill will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from Alabama.

The bill (S. 4035) to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes, reported by Mr. SPARKMAN, from the Committee on Banking and Currency, was read twice by its title and placed on the calendar.

Mr. SPARKMAN. Mr. President, I ask unanimous consent to have printed in the RECORD at this point a section-by-section analysis of the Housing Act of 1958.

There being no objection, the section-by-section analysis was ordered to be printed in the RECORD, as follows:

HOUSING ACT OF 1958—SECTION-BY-SECTION ANALYSIS

TITLE I—FHA INSURANCE PROGRAMS

Property improvement loans

Section 101: Amends section 2 (a) of the National Housing Act to extend the title I property improvement program of the FHA 1 year until September 30, 1960.

Technical

Section 102: Makes cross-references between FHA section 204 (payment of insurance) and the six insurance programs to which this provision applies.

Mortgage ceilings for sales housing

Section 103: (a) Amends section 203 (b) (2) of the National Housing Act (regular sales housing program) to increase the maximum mortgage amount which may be insured by FHA on sales housing, as follows: from $20,000 to $22,500 on 1-family homes; from $20,000 to $25,000 on 2-family homes; and from $27,500 to $30,000 on 3-family homes. The existing ceiling of $35,000 on 4-family homes would not be changed.

(b) Amends section 203 (b) (8) of the National Housing Act (regular sales housing program) to increase the nonoccupant owner's maximum loan to the maximum permitted the homeowner—the nonoccupant owner would put into escrow 15 percent of the mortgage amount for 18 months or until he sells the property. (A nonoccupant owner is now permitted 85 percent of the mortgage amount avaialble to a homeowner.)

Regular rental housing program

Section 104: Amends section 207 of the National Housing Act to delete all provisions relating to housing for elderly persons, since the proposed bill (in title II) establishes a new FHA section 229 program of mortgage insurance for elderly persons' housing.

The present dollar limitations on the maximum amount of a section 207 mortgage would be increased, as follows:

	Present		Proposed	
	Per room	Per unit if under 4 rooms	Per room	Per unit if under 4 rooms
Garden type	$2,250	$8,100	$2,500	$9,000
Elevator type	2,700	8,400	3,000	9,400
Increase for high-cost areas	1,000	--------	1,250	--------

Amends section 207 (c) (3) to increase the mortgage limits for trailer courts or parks from $1,000 to $1,500 per space, and from $300,000 to $500,000 per mortgage.

Cooperative housing

Section 105: (a) Amends section 213 (b) (2) of the National Housing Act to—

(1) increase the maximum loan ratio from 90 percent of replacement cost (95 percent of replacement cost if 50 percent of the cooperators are veterans) to 97 percent of replacement cost, and

(2) increase the present dollar limitations on the maximum loan amount to the same amounts allowed for section 207.

(b) Amends section 213 (d) to permit the inclusion of community (but not commercial) facilities in mortgages on property held by sales-type and investor-sponsored cooperatives.

Mortgage ceilings for Alaska, Guam, and Hawaii

Section 106: Amends section 214 of the National Housing Act to provide that the 50-percent-higher mortgage amount which the FHA Commissioner, at his discretion, may allow in the Territories of Alaska, Guam, and Hawaii may be applied to high-cost-area mortgage amounts in the programs where such high-cost area provisions pertain.

General mortgage insurance authorization

Section 107: Amends section 217 of the National Housing Act to increase FHA's general mortgage insurance authorization by $4 billion for the fiscal years beginning July 1, 1959, July 1, 1960, July 1, 1961, and July 1, 1962. Unused authorization would lapse at the end of each fiscal year except 1963.

Repeal of obsolete provision

Section 108: Repeals section 218 of the National Housing Act, an obsolete provision, which permitted the transfer of application fees from the FHA section 608 program to the section 207, regular rental housing program.

Housing in urban renewal areas

Section 109: (a) Amends section 220 (d) (3) (A) of the National Housing Act (urban renewal housing) to increase the maximum mortgage amount which may be insured by FHA on sales housing as follows: from $20,000 to $22,500 on 1-family homes; from $20,000 to $25,000 on 2-family homes; and from $27,500 to $30,000 on 3-family homes. The existing ceiling of $35,000 on 4-family homes would not be changed.

(b) Amends section 220 (d) (3) (B) of the National Housing Act (housing in urban renewal areas) to establish higher dollar limitations on the maximum amount of the mortgage on multifamily housing in urban renewal areas. The new ceilings would be the same as those proposed for FHA's section 207 (regular rental housing) program.

Amends section 220 to change the maximum permissible loan ratio from 90 percent of replacement cost (which may include a 10-percent allowance for builder's and sponsor's profit and risk) to 100 percent of replacement cost (excluding any allowance for builder's and sponsor's profit and risk).

Permits exterior land improvements (as defined by the FHA Commissioner) to be included in the mortgage without being computed as part of the per room or per unit cost limitations.

Relocation housing

Section 110: Amends section 221 of the National Housing Act (relocation housing) to extend the benefits of the program to any family displaced within the environs of a community that has a workable program.

Section 111: (a) Amends section 221 (d) (2) in order to—

(1) Increase the maximum insurable loan for the construction or rehabilitation of sales housing from $9,000 to $10,000 in normal cost areas, and from $10,000 to $12,000 in high-cost areas; and

(2) Make eligible for mortgage insurance 2-, 3-, and 4-family dwellings which meet FHA minimum property standards and appropriate State and local housing ordinances or regulations.

(b) Increases the maximum insurable mortgage amount for multifamily projects from $9,000 to $10,000 per unit (from $10,000 to $12,000 in high-cost areas), and changes the valuation basis for computing the maximum insurable amount on relocation rental housing constructed by nonprofit mortgagors. At present, private nonprofit corporations and public agencies are eligible for FHA-insured loans equal to 100 percent of the Commissioner's estimate of value. This subsection would place such mortgage insurance on a cost instead of a value basis for new construction.

This subsection would also make section 221 mortgage insurance available to other than nonprofit mortgagors for the production of rental housing for displaced families, on the same basis as section 220 redevelopment housing; i. e., the mortgage would be in an amount equal to the estimated replacement cost or actual certified cost (whichever is lower), exclusive of any allowance for builder's and sponsor's profit and risk.

Cost certification

Section 112: Amends section 227 of the National Housing Act to revise the cost certification requirements affecting FHA section 220, section 221, and the proposed section 229 in accordance with amendments made by other sections of this bill.

TITLE II—HOUSING FOR THE ELDERLY

Section 201: Adds a new section 229 to the National Housing Act to provide a new program of housing for elderly persons.

(1) The dollar limits on the maximum amount of the mortgage would be the same as those proposed for FHA's section 207 (regular rental housing) program.

(2) Would permit insurance of mortgages up to 100 percent of replacement cost for nonprofit corporations, and 100 percent of replacement cost (excluding any allowance for builder's and sponsor's profit and risk) for other than nonprofit corporations.

(3) Would require that not less than 50 percent of the living units in the project be designed specially for use and occupancy by elderly persons. Elderly persons would be given a preference or priority of opportunity to rent all units.

(4) The economic soundness test of FHA's regular rental housing program (sec. 207) would not be applicable to the new program for elderly persons.

(5) The FHA Commissioner would be authorized to establish regulations and restrictions as to rents, charges, capital structure, rate of return, and methods of operation.

(6) The provisions of FHA section 212 would apply the prevailing wage requirement of the Davis-Bacon Act, except that

the wages which must be certified under the Davis-Bacon Act may be reduced by such amount as the FHA determines to have been fully credited to a nonprofit mortgagor.

(7) Would include a provision making proprietary nursing homes eligible for FHA mortgage insurance, up to 75 percent of the value of the new or rehabilitated property.

TITLE III—URBAN RENEWAL

Statewide planning

Section 301: Amends section 101 (b) of the Housing Act of 1949 by directing the HHFA Administrator to encourage the utilization of State agencies to provide effective solutions for urban renewal problems.

Grant authorization

Section 302: Amends section 103 (b) of the Housing Act of 1949 to provide a 6-year, $2.1 billion slum clearance and urban renewal program, with an annual capital grant authorization of $350 million, which could be increased by $150 million in any one year.

Repayment of uncollectible advances

Section 303: Amends section 103 (b) of the Housing Act of 1949 to authorize the use of urban renewal grant funds to repay Treasury loans made to finance urban planning advances which are now uncollectible because of the cancellation of the project.

Community renewal programs

Section 304: Amends section 103 of the Housing Act of 1949 by adding a new subsection (c) to authorize planning grants for the preparation of "community renewal programs," which would enable a community to survey its urban renewal needs and resources, and schedule projects.

Technical

Section 305: Technical. Amends section 105 (b) of the Housing Act of 1949 to facilitate public improvements involving the Federal Government and the District of Columbia in connection with urban renewal projects.

Relocation payments

Section 306: (a) Amends section 106 (f) of the Housing Act of 1949 to authorize relocation payments when the displacement is a result of governmental activity in an urban renewal area, and of programs of voluntary repair and rehabilitation.

(b) Amends section 106 by adding a new subsection (h) to give business concerns which are displaced from urban renewal areas a priority of opportunity, insofar as practicable and desirable (as determined by the local governing body), to purchase or lease commercial or industrial facilities provided in connection with area redevelopment.

Planning requirements

Section 307: Amends 110 (b) of the Housing Act of 1949 to authorize the HHFA Administrator to expedite urban renewal projects by permitting him to omit or to simplify present detailed requirements for the urban renewal plan.

Nonresidential development

Section 308: Amends section 110 (c) of the Housing Act of 1949 to permit up to 15 percent (now 10 percent) of the total capital grant authorization to be used for areas which are not predominantly residential, and which are not to be redeveloped for predominantly residential uses, even if such areas do not include a substantial number of slum dwellings as presently required.

Noncash grants-in-aid

Section 309: Amends section 110 (d) of the Housing Act of 1949 to provide that where a community has an approved community renewal program, improvements and facilities that are otherwise eligible may be credited as local grants-in-aid to urban renewal projects, provided their commencement does not precede the loan and grant contract for the project by more than 5 years. The same would apply to similar improvements and facilities provided in connection with any renewal project covered by a general neighborhood renewal program.

Credit for interest payments

Section 310: Amends section 110 (e) of the Housing Act of 1949 to authorize the HHFA to include interest on advances by a city (local public funds) as an item of gross project cost for an urban renewal project.

Uniform date

Section 311: Amends section 110 (g) of the Housing Act of 1949 to make uniform the date for determining the application of the "going Federal rate" of interest under urban renewal contracts.

Technical

Section 312: Makes various conforming amendments.

Federal recognition

Section 313: Waives the requirement in section 110 (d) of the Housing Act of 1949 for communities whose projects could not obtain Federal recognition during the period from January 1, 1957, through December 31, 1958, because of limitations on the HHFA Administrator to make capital grants or to reserve funds. Under existing law, such Federal recognition is required to enable the local community to include local activities and facilities as noncash grants-in-aid.

Urban planning

Section 314: Amends section 701 of the Housing Act of 1954 (grants to assist urban planning) to extend the scope of the urban planning grant program to include any group of adjacent communities, having a total population of less than 25,000, and having common or related urban planning problems resulting from rapid urbanization.

TITLE IV—LOW-RENT HOUSING

Declaration of policy

Section 401: Amends section 1 of the United States Housing Act of 1937 by adding to the declaration of policy the following new objectives: to build smaller projects better related to local neighborhoods; to give local public agencies more responsibility for the operation of their projects; and to permit the sale of low-rent units to overincome tenants, or to permit overincome tenants to remain in occupancy at an unsubsidized rent if suitable private housing is not available.

Rents and income limits

Section 402: Amends several sections of the United States Housing Act of 1937 to permit local public agencies to set rents and income limits for their low-rent projects, subject to a statutory ceiling on income limits.

(a) and (b) technical. Amend sections 2 (1) and 15 (7) (b) to delete provisions to be covered by other sections of the act.

(c) Amends section 15 (8) (a) to authorize the local agency to fix maximum income limits for admission and continued occupancy. This statutory ceiling would differ from existing law in 2 respects: (1) the present $100 exemption for each minor or adult dependent is eliminated; (2) the 20 percent gap requirement is waived for displaced families. Also removes the Public Housing Administration's authority to require the prior approval of specific income limits set by the local agency.

(d) and (e) amend sections 15 (8) (b) and 15 (8) (d) to remove references to the Public Housing Administration's power of prior approval of specific income limits.

(f) Repeal section 502 (b) of the Housing Act of 1948, relating to the exemption of benefits for disability or death occurring in connection with military service, which is incorporated in the basic act by subsection (c) above.

Annual contributions and residual receipts

Section 403: (a) Amends section 10 (b) of the United States Housing Act of 1937 to provide that fixed annual contributions be equal to level debt service (principal plus interest) on outstanding debt.

(b) Amends section 10 (c) to provide that residual receipts (rental income minus operating costs) be divided on the basis of two-thirds for advance amortization of capital debt and one-third to the local agency solely for low-rent housing use.

This subsection also requires a local agency to submit an independent audit and certification of compliance with the act, and provides that such certification shall, in the absence of fraud or of evidence of gross waste or extravagance disclosed by financial post-audits pursuant to sections 814 and 816 of the Housing Act of 1954, be accepted as final and conclusive by all officers of the Federal Government.

(c) Technical. Amends section 22 (b) to delete a reference which would no longer appear in the act, as amended.

Authorization

Section 404: Amends subsection 10 (1)of the act of 1937 by increasing the authorization for new annual contribution contracts by an additional 35,000 units to become available July 1, 1959. It would also extend from 2 to 3 years the period during which the 3 authorizations of 35,000 units would be available. This would make available for 1 additional year, until July 31, 1959, any units not contracted for under the first authorization which now expires July 31, 1958, would extend the second authorization to July 1, 1960, and make the new authorization available until July 1, 1962.

Sale of low-rent units

Section 405: (a) Amends section 15 (8) of the United States Housing Act of 1937 by adding a new paragraph (e) to stipulate the terms on which a low-rent dwelling unit may be sold to a public housing tenant. The tenant would be required to pay local taxes, amortize the full purchase price of his home, and pay interest at not less than the cost of money to the local agency. The local agency would have an option to repurchase a dwelling if the family fails to carry out its contract. This plan is permissive with local agencies. If any agency finds it is not feasible to operate under this plan, it could permit overincome tenants to remain in occupancy if the local agency determines that it is impossible for the family to rent or buy a decent private dwelling and if an unsubsidized rent is paid.

(b) Technical. Amends the act in a number of places to make possible the sale of low-rent units.

Amendment of existing contracts

Section 406: Amends the United States Housing Act of 1937 by adding a new section 30 to provide that existing annual contribution contracts shall be revised, upon request of local agencies, in accordance with the terms of the act of 1937 as it is amended at any time, provided that the interest of the holders of outstanding bonds is not jeopardized.

Low-rent housing in urban renewal areas

Section 407: Amends section 107 of the Housing Act of 1949 to facilitate the development of low-rent housing in urban renewal areas. Under existing law, when a new public housing project is located outside of an urban renewal area, the locality is required to make a local contribution in the form of tax exemption, but if located within an urban renewal area a further local contribution is required equal to one-third of the write-down in land value. The proposed amendment would eliminate this difference by accepting tax exemption as the only required local contribution for low-rent projects in urban renewal areas.

TITLE V—COLLEGE HOUSING

Section 501: Amends section 401 (d) of the Housing Act of 1950 to increase the revolving fund for college housing loans by $400 million (the present ceiling is $925 million). Of the $400 million increase, $50 million is reserved for "other educational facilities" increasing the reservation for this purpose from $100 million to $150 million, and $50 million is reserved for student-nurse and intern housing facilities, increasing the reservation for this purpose from $25 million to $75 million.

Section 502: (a) Amends title IV of the Housing Act of 1950 by adding a new section 405 which authorizes the Administrator to make loans to educational institutions for the construction of new, or rehabilitation of existing, classrooms, laboratories, and related facilities, including equipment and utilities.

(b) Authorizes a revolving fund of $250 million to finance this new loan program.

TITLE VI—ARMED SERVICES HOUSING

Section 601: (a) Amends section 803 (a) of the National Housing Act to extend the military housing program (secs. 803 and 809) for 1 year, until June 30, 1960.

(b) Amends section 803 (b) to increase from 25 years to 30 years the maximum maturity of mortgages insured under this section.

Section 602: (a) Amends title VIII of the National Housing Act by adding a new section 810 to authorize the FHA Commissioner to insure mortgages on single-family and multifamily projects, the need for which is certified by the Secretary of Defense. Insurance would be on an acceptable-risk rather than an economic-soundness basis. The projects would be held for rental for a period of not less than 5 years unless released by the military for sale. Priority in rental or sale is given to military personnel and essential civilian personnel of the armed services as evidenced by certification issued by the Secretary of Defense.

(b) Amends section 808 of the National Housing Act to make applicable the provisions of section 227 of the National Housing Act (cost certification).

(c) Amends section 212 (a) of the National Housing Act to make applicable the prevailing wage requirement of the Davis-Bacon Act.

(d) Amends section 305 (f) of the National Housing Act to make section 810 mortgages eligible for purchase by the Federal National Mortgage Association under its special assistance functions.

Section 603: (a) and (b) Amends sections 404 (a) and (b) of the Housing Amendments of 1955 to permit the Secretary of Defense to acquire FHA section 207 rental projects, if completed prior to July 1, 1952, and certified by the Department of Defense as necessary for military housing purposes, and to make the acquisition of such projects mandatory if section 803 housing is constructed in the area of the FHA section 207 projects.

(c) Amends section 407 (f) of the act entitled "An act to authorize certain construction at military installations, and for other purposes," approved August 30, 1957, in order to exempt FHA section 207 rental projects covered by this section from being declared substandard because the units in such projects do not meet minimum floor area prescribed for other military housing.

Section 604: Amends section 404 (c) of the Housing Amendments of 1955 to require that the issue of just compensation in cases involving the acquisition of Wherry housing projects be determined by arbitration procedures, and directs the arbitration commission to give full consideration to replacement costs and fair depreciation.

TITLE VII—MISCELLANEOUS

Federal National Mortgage Association

Section 701: (a) Amends section 302 (b) of the National Housing Act to increase from $15,000 to $20,000 the dollar limit for mortgages purchased under the Federal National Mortgage Association's secondary market operations.

(b) Amends section 305 (b) of the National Housing Act to extend for 1 year (until August 7, 1959) the requirement that the Federal National Mortgage Association purchase mortgages under its special assistance functions at par.

(c) Amends section 305 (e) of the National Housing Act to increase from $200 million to $250 million the special assistance fund established for the purchase of cooperative housing mortgages.

Farm housing research

Section 702: Amends section 603 (c) of the Housing Act of 1957 to extend the farm housing research program for a period of 3 years, beginning July 1, 1959, and authorizes an annual appropriation of $100,000.

Surveys of public works planning

Section 703: Amends section 702 of the Housing Act of 1954 by adding a new subsection (f) to authorize the Administrator to use, in any 1 fiscal year, up to $50,000 of the revolving fund to conduct surveys of the status and current volume of State and local public works planning and surveys of estimated requirements for State and local public works.

Servicemen's Readjustment Act of 1944

Section 704: (a) Amends section 500 (d) of the Servicemen's Readjustment Act of 1944 to permit the VA to expand the existing class of "supervised lenders" to include a new category of mortgage lenders. A "supervised lender" is entitled to make a VA loan without prior approval by the VA. The new category would consist of "approved mortgagees" under the certified agency program of the FHA. The inclusion of the new category would not be automatic; each applicant must be acceptable to the VA.

(b) Amends sections 504 (c) and 514 of the Servicemen's Readjustment Act of 1944 to authorize the Administrator of Veterans' Affairs to prohibit builders and lenders from participating in the VA home loan programs if such builders or lenders have been barred from the benefits of the National Housing Act by the Federal Housing Commissioner.

(c) Amends section 513 (d) of the Servicemen's Readjustment Act of 1944 to provide an additional $150 million for the VA direct home loan program.

Disposal of projects

Section 705: (a) Amends section 607 of the act of October 14, 1940 (Lanham Act), to authorize the PHA Commissioner to modify the terms of any contract relating to any housing projects disposed of by him to cooperatives.

(b) Amends section 406 (c) of the Housing Act of 1956 to extend for a period of 2 years the time in which military personnel may continue to occupy war housing projects PA-36011 and PA-36012 (Passayunk) which are presently owned by the Housing Authority of Philadelphia, Pa.

URBAN RENEWAL PROGRAM—RESOLUTION

Mr. SPARKMAN. Mr. President, one of the most important programs carried on within the Housing and Home Finance Agency is that of urban renewal. That matter is treated of in the bill I just reported from the Banking and Currency Committee. The Commissioner of the Urban Renewal Administration is Mr. Richard L. Steiner.

I have just received a letter from the Very Reverend Leo A. Geary, commending Mr. Steiner for his work and also the work of the Urban Renewal Administration. He is speaking for the executive committee of the middle Atlantic regional council, National Association of Housing and Redevelopment Officials.

I ask unanimous consent to have the letter printed in the RECORD at this point in my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ST. MARTIN'S CHURCH,
Buffalo, N. Y., June 16, 1958.

Hon. JOHN J. SPARKMAN,
Chairman of Subcommittees on Housing of Senate and House Committees on Banking and Currency
Senate Office Building,
Washington, D. C.

DEAR SENATOR: By authority of the executive committee of the middle Atlantic regional council, National Association of Housing and Redevelopment Officials, I am transmitting to you the following resolution which was unanimously adopted at the annual business meeting of the Region held in connection with its Conference at the Hotel Mahattan, New York, N. Y., on Friday, May 9, 1958:

"Whereas the Urban Renewal program is fraught with difficult and complex problems, both in planning and execution; and

"Whereas, the solutions to these problems requires initiative, resourcefulness and flexibility of approach both on the part of the local and Federal agencies involved; and

"Whereas Commissioner Richard L. Steiner of the Urban Renewal Administrattion has been consistently understanding and constructive in administering the national program and while strictly maintaining requirements of the national public interest has at all times been receptive to the needs of the local communities: Now, therefore, be it

Resolved, That the middle Atlantic regional council of the National Association of Housing and Redevelopment Officials, recognizing Commissioner Steiner as an exceptionally able Federal Administrator and public servant, hereby commends him for his outstanding and extraordinary contribution to the rebuilding and renewal of the cities of our Nation."

This organization is representative of substantially all the Housing and Redevelopment Authorities, their Commissioners and executive staff within the States of New York, New Jersey, Pennsylvania, Delaware, Maryland, the District of Columbia, the Commonwealth of Puerto Rico and the Province of Ontario.

I am happy indeed to record this commendation of a faithful and able public servant.

Sincerely yours,
Very Rev. Msgr. LEO A. GEARY,
President, MARC-NAHRO.

ADDITIONAL BILLS INTRODUCED

The following additional bills were introduced, or reported, read the first time, and, by unanimous consent, the second time, and referred or placed on the calendar, as indicated:

By Mr. STENNIS:

S. 4034. A bill to permit the owner or operator of any farm to lease the acreage allotment assigned his farm to the owner or operator of any other farm in the same county; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. STENNIS when he introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN:

S. 4035. A bill to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes; placed on the calendar.

(See the remarks of Mr. SPARKMAN when he reported the above bill, which appear under the heading "Report of a Committee."

LEASING OF ACREAGE ALLOTMENTS

Mr. STENNIS. Mr. President, I introduce for appropriate reference a bill to permit the owner or operator of any farm to lease his acreage allotment to the owner or operator of any other farm in the same county.

In the opinion of the Senator from Mississippi, this bill has great merit. A similar bill was introduced in the House of Representatives by Representative JAMIE WHITTEN, of Mississippi.

I introduce it for reference to the Committee on Agriculture and Forestry for study, and at a later time I expect to address the Senate further with reference to the merits of the bill.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 4034) to permit the owner or operator of any farm to lease the acreage allotment assigned his farm to the owner or operator of any other farm in the same county, introduced by Mr. STENNIS, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

HOUSING ACT OF 1958—AMENDMENTS

Mr. CAPEHART. Mr. President, on behalf of myself and other Senators, I submit a series of 10 amendments, intended to be proposed by us, jointly, to the bill (S. 4035) to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes. I ask unanimous consent that the amendments, together with the names of the cosponsors, and an explanation accompanying each amendment may be printed in the RECORD.

The PRESIDING OFFICER. The amendments will be received, printed, and lie on the table; and, without objection, the amendments, together with the names of the cosponsors, and the explanations thereof, will be printed in the RECORD.

The amendments, cosponsors, and explanations are as follows:

Amendment No. 1, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"Strike all of title IV beginning with line 23 on page 35 through line 20 on page 47, and insert in lieu thereof the following:

"'TITLE IV—LOW-RENT HOUSING

"'SEC. 401. (a) Section 2 of the United States Housing Act of 1937 is hereby amended by striking out the second and third sentences of paragraph (1) and inserting in lieu thereof the following: "The dwellings in low-rent housing shall be available solely to families whose net annual income at the time of admission less the exemptions authorized herein does not exceed five times the annual rental (including the value or cost to them of water, electricity, gas, other heating and cooking fuels, and other utilities) of the dwellings to be furnished them. In determining eligibility and rent there may be exempted from the net annual income of each family (1) $100 for each member of the family other than the head of the family and his spouse and (2) not to exceed $600 of the total income of all family members other than the principal income recipient: *Provided*, That in determining eligibility only there may be exempted all or any part of amounts paid by the United States Government for disability or death occurring in connection with military service, and in determining eligibility for continued occupancy only there may be exempted all or any part of the income of minor members of the family, other than the head or spouse."

"'(b) The fourth sentence of section 502 (b) of the Housing Act of 1948 is hereby repealed.

"'SEC. 402. Section 10 (1) of the United States Housing Act of 1937 is hereby amended by striking out the word "two" in the first proviso and inserting in lieu thereof "three".

"'SEC. 403. (a) Section 12 (c) of such act is hereby amended by striking out the word "only" in the first sentence, and by striking out the last sentence.

"'(b) Section 13 (e) of such act is hereby amended by striking out "(except low-rent housing projects, the disposition of which is governed elsewhere in this act)" in the first sentence'."

The explanation of amendment No. 1 is as follows:

"EXPLANATION OF AMENDMENT 1

"This amendment would substitute a new title IV of the bill in order to provide acceptable provisions on low-rent public housing. The new title omits the very objectionable provisions on public housing which are contained in the bill reported by the Banking and Currency Committee and explained below. The amendment includes only the following provisions:

"1. Correction of income exemptions for determining eligibility and rent: Section 401 of the amendment would make several corrections in amendments enacted last year to provide additional exemptions in calculating income for purposes of determining whether a family is of low income and eligible for occupancy in a low-rent housing project and also for purposes of fixing rents. These additional exemptions included $600 of the income of each member of the tenant family other than the principal wage earner and also $100 for each adult dependent member of the family having no income, including the spouse of the head of each family. The cumulative character of the $600 exemption for each secondary wage earner, with other authorized exemptions, would permit occupancy by families whose incomes are far above the level which may reasonably be classified as 'low income.' Also the $100 exemption, if applied to the spouse of the head of the tenant family, would effect a substantial unwarranted loss in project rentals with a corresponding increase in Federal subsidies. This exemption alone, as applied to the spouse, would occasion a reduction in annual rental of $20 for a substantial majority of the tenant families in a program of between 400,000 and 500,000 dwellings. This section of the amendment would correct these two defects by limiting the exemptions for secondary incomes to a total of $600 and by eliminating the $100 exemptions for spouses.

"2. Extension of authorization: Section 402 would extend the time limit on the present authority to enter into new contracts for loans and annual contributions to low-rent public housing. Under existing law, the authority which became available on July 31, 1956 to enter into such contracts for 35,000 additional units will terminate July 31, 1958, and the authority which became available on July 1, 1957, for another 35,000 units will terminate July 1, 1959. This section of the amendment would postpone each termination date by one year, to July 31, 1959 and July 1, 1960, respectively. Similar provisions are contained in the bill reported by the committee.

"3. Disposal of federally owned projects: Section 403 would permit disposal of the few PWA low-rent housing projects still remaining in Federal ownership to other than a local public agency. The existing law directs the PHA to sell its Federal projects or divest itself of their management through leases 'as soon as practicable,' but only to a 'public housing agency.' Forty-three PWA projects have been sold. Of the 7 remaining projects, 4 are leased to local housing authorities and negotiations are well along the way for their sale. However, no sale or lease to a local public agency is possible now in three cases.

"Objectionable provisions of bill which would be eliminated by amendment

"1. Provisions designed to pervert the low-rent housing program into a large new program for middle-income families: Through a number of miscellaneous amendments to existing law, title IV of the bill is well designed to extend the low-rent public housing program into the middle-income housing market. These amendments in the bill are as follows:

"(a) Deletion of the '20-percent gap' requirement in existing law for purposes of determining eligibility for admission of displaced families or eligibility for continued occupancy of any families. The existing law requires that a gap of at least 20 percent be left between the upper rental limits for admission to low-rent public housing and the lowest rents which private enterprise is providing a substantial supply of decent housing.

"(b) Deletion of the requirements of existing law that rentals be at least 20 percent of family income (less certain deductions).

"(c) Retention of the present objectionable authority for family income deduction of $600 for each secondary income recipient, referred to above. This exemption, with other authorized exemptions, would frequently permit middle-income families to occupy low-rent housing. Under existing law the PHA has not applied this exemption which was enacted in 1957. However, under the bill, the PHA would have no authority to determine whether the exemption would be applied, as this matter would be left solely to the discretion of the local housing authorities.

"(d) Removal of the authority of the Public Housing Commissioner to review the rents actually established by the local agency and the specific income limits actually governing occupancy eligibility. This provision would have the general effect of laxity in income and rental limits so that the families served by the program would be from higher income groups.

"(e) Provision of incentives for establishing higher rentals. Under a new system of fixed annual contributions in the bill, in lieu of the present system of annual contributions based upon current project needs, the local public authorities would receive one-third of the surplus project funds resulting from Federal contributions above current project needs. The proponents of the proposal in the bill frankly stated that this would give local housing authorities the incentive to charge higher rentals. Higher rentals naturally mean higher-income families in the project.

"(f) Authority for over-income families to remain in projects. The bill would provide for continued occupancy of over-income families who are unable to purchase their dwellings or find other suitable housing.

This would, of course, reduce the incentive on the part of tenants to find housing for themselves and would make less housing available for low-income families whose needs are far greater.

"(g) Provisions for accelerating debt payment with additional Federal contributions. By prescribing fixed annual contributions (rather than the lower amounts needed each year for the needs of a project), the bill would specifically afford a means for two-thirds of the surplus funds from such contributions to be used to accelerate the capital debt more rapidly. Thus, through Federal expenditures, the local housing authority could more quickly convert from low-rent purposes to middle-income purposes.

"2. Granting of virtual blank check to independent local housing authorities to spend Federal funds in connection with public housing: Control over the administration of low-rent public housing projects, subsidized with Federal annual contributions, would be abrogated by the Federal Government to independent local housing authorities which are almost entirely free from local control. The bill would expressly provide that the financial transactions of the local housing authority shall be final and conclusive on all officers of the Federal Government except only as to gross waste and extravagance disclosed under a prescribed certification and postaudit. Moderate waste and extravagance is apparently condoned by the bill (see sec. 403 (b) of bill). Local public housing authorities would be given virtually unlimited discretion in establishing rents in a project and in determining eligibility for initial and continued occupancy under the bill. The function of the Public Housing Administration in this regard would be limited to approving the local housing authority's initial determination of the cost level at which private enterprise in the locality is providing decent housing. Subject to the above provision, the authorities would be almost entirely free to make expenditures as they see fit. Although local housing authorities are creatures of State law, they are autonomous public bodies in operation unlike municipal and governmental bodies who are responsible to the voters. Neither the State or local government is responsible for their debts and obligations. Local contributions to the federally aided projects consist primarily of partial tax exemption and this involves no initial cash outlays. Thus the expenditures of local authorities do not tend to be closely supervised by elected local officers. Even if the Federal Government had adequate authority to take action on the basis of the postaudits provided in the bill, this would not afford a means for supervising the low-rent projects. Federal supervision deals not merely with financial integrity, but with specific public purposes determined by the Congress and with such technical housing matters as the use of closed specifications, construction failures, maintenance failures, and vacancies in projects.

"The Government has an obligation to the public to see that Federal tax dollars are spent for the purposes intended by the Congress. It also must avoid favored treatment for one city or area as compared to another. Some inefficient or corrupt individuals will work their way into any program involving public funds, and there is also a Federal responsibility to prevent this wherever possible. All this requires reasonable supervision, control, and vigilance by the Federal Government.

"3. Increased subsidy: The immediate effect of the public housing changes in the bill would be to increase the Federal subsidy by about $25 million yearly with respect to the present program and by additional amounts as additional units reach the subsidy stage. One-third of the immediate increase in the annual subsidy, or about $8,330,000 per annum, would represent a donation to local authorities in return for doing what they are already legally and morally obligated to do.

"4. Authority for an additional 35,000 units of public housing: Section 404 of the bill would grant authority for annual contributions contracts for an additional 35,000 units to become available July 1, 1959. Because only about 8,000 of the presently authorized 70,000 low-rent units have been placed under contract, the enactment of section 402 of the amendment, explained above, would make it possible to satisfy all demands for a considerable period of time. This conclusion is amply supported by the detailed testimony presented to the committee. The Public Housing Commissioner stated: 'It is our considered opinion that any authorization in excess of this will constitute a nullity insofar as the production of new low-rent housing is concerned in the next 2 fiscal years.'

"5. Impractical provisions for sale of units to tenants: Section 405 of the bill contains provisions for the sale of public housing units to tenants. These provisions contain so many technical deficiencies as to make the proposal financially unsound and unworkable. For example, the purchaser of a $10,000 unit would during the first 5 years of his purchase contract pay about $4,860 toward the purchase of his home and would have an equity of only $250. The proposal would provide a subsidized interest rate to over-income families. Purchasers would be required to pay a proportionate part of the local authority's management overhead for services the purchaser could perform himself or hire done at less cost. These provisions of the bill would not be practical to apply to multifamily structures which constitute most of the public housing.

"6. Other undesirable public housing provisions of bill:

"(a) Section 401 would enact a policy declaration that local public authorities shall have full responsibility for 'the provision of such social and recreational guidance as is necessary in assisting families to become good tenants and citizens of the larger community.' Under this, local housing authorities would themselves perform 'social and recreational' services, and the low-rent housing program would include a full-fieged local welfare program at virtually 100 percent Federal cost.

"(b) Section 406 would make it mandatory that PHA, on request of the local agency, amend any existing contract to make it conform to the provisions of the bill. This would arbitrarily prevent the Federal Government giving consideration to the many special and unforeseen problems which always arise, case by case, in rewriting old contracts to reflect radical changes in policy.

"(c) Section 407 would eliminate the local one-third contribution toward urban renewal funds with respect to any portion of an urban renewal project which is used as a site for Federally aided low-rent housing. This would furnish a discriminatory advantage in the purchase of sites cleared under the urban renewal program to agencies purchasing land for public housing purposes as against other prospective purchasers, including private purchasers and also public bodies acquiring land for parks, schools, playgrounds, and other tax-exempt facilities."

Amendment No. 2, by Mr. CAPEHART (for himself, Mr. BRICKER, and Mr. BENNETT):

"On page 24, beginning with line 15, strike all through line 6 on page 25, and insert in lieu thereof the following:

"'SEC. 302. (a) Section 103 (a) of the Housing Act of 1949 is hereby amended by striking out the second sentence and inserting in lieu thereof the following: "The aggregate of such capital grants with respect to all the projects of a local public agency on which contracts for capital grants have been made under this title shall not exceed the sum of the applicable percentages of the respective net project costs of such projects. Such percentages, which shall apply to all projects receiving initial Federal recognition during the period specified, shall be 66⅔ percent for the period prior to July 1, 1959; 60 percent for the period between July 1, 1959, and June 30, 1960, inclusive; 55 percent for the period between July 1, 1960, and June 30, 1961, inclusive; and 50 percent for any time thereafter: *Provided*, That the percentage for any project for which no planning grant is received and retained by the local public agency and which the Administrator, at the request of such agency, may approve on a three-fourths capital grant basis shall be 75 percent, or such lesser percentage as the Administrator determines to be generally consistent with the percentage of net project costs hereunder applicable at the time to projects not so approved."

"'(b) Section 103 (b) of such act is hereby amended by—

"'(1) striking out "aggregating not to exceed $900 million, which limit shall be increased by $350 million on the date of enactment of the Housing Act of 1957" and inserting in lieu thereof "and to make grants pursuant to subsection (c) of this section, aggregating not to exceed $1,250,000,000, which limit shall be increased by $200 million on July 1, 1958, by $250 million on July 1 in each of the years 1959 and 1960, and by $200 million on July 1 in each of the years 1961, 1962, and 1963."

"'(c) Section 104 of such act is hereby amended to read as follows:

"'"SEC. 104. Every contract for capital grants under this title shall require local grants-in-aid in connection with the project involved which, together with the local grants-in-aid to be provided in connection with all other projects of the local public agency on which contracts for capital grants have theretofore been made, will be at least equal to the difference between the aggregate net project costs involved and the sum described in the second sentence of section 103 (a)."

"'(d) The proviso in the first sentence of section 110 (e) of such act is hereby amended by striking out "second sentence" and inserting in lieu thereof "third sentence."'

"On page 27, strike lines 7 through 10 and insert in lieu thereof the following: 'a fixed percentage of the cost (as such cost is determined or estimated by the Administrator) of the preparation or completion of the community-renewal program for which such grant is made. Such fixed percentage shall be the same as the percentage which would apply under section 103 (a) to any capital grants for the project involved.'"

The explanation of amendment No. 2 is as follows:

"EXPLANATION OF AMENDMENT 2

"The amendment would (1) reduce the amount of new urban renewal capital grant authority provided in the bill and (2) provide for the gradual reduction of the Federal share of urban renewal project cost. These changes would follow the recommendations of the administration contained in S. 3399.

"1. Capital grant authorization: The bill now provides for an additional 6-year $2-billion urban renewal program, with an annual capital grant authorization of $350 million which could be increased by $150 million in any one year. This amendment would substitute a 6-year program of $1.3 billion as follows: $200 million in fiscal year 1959; $250 million in fiscal year 1960; $250 million in fiscal year 1961; and $200 million in each of the fiscal years 1962, 1963 and 1964. As approximately $50 million of presently authorized funds would be carried over at the end of this fiscal year, the new authorization would in effect permit $250 million of Federal grant funds for each of

the next 3 years and $200 million of such funds for each of the 3 years thereafter. These amounts must be considered in relation to provisions in the bill for gradual reduction in the share of Federal grants and corresponding increases in local grants, explained below. With these increases, the grant level of $200 million in the latter 3 years of the authorization could be applied to more projects and to a total program slightly larger than that covered by the $250 million grant level under the present grant formula. This amendment would provide increases which are realistic in terms of the Federal budget and the projects which the communities can be expected to undertake.

"2. Reduction of Federal share of urban renewal cost: Existing law limits the agreegate capital grants paid with respect to the projects of a local public agency to two-thirds of the aggregate net costs of such projects. The remaining one-third of net project costs must be borne by the locality in the form of cash or noncash local grants-in-aid, the latter consisting of such things as land donations and the provision of necessary public improvements and facilities. This amendment (sec. 303 (a)) would insert a provision in the bill which would reduce the Federal Government's two-thirds share to 60 percent on July 1, 1959, 55 percent on July 1, 1960, and 50 percent on July 1, 1961, with resulting increases in the local share of project costs bringing such share up to a matching 50 percent. The gradual reduction of Federal contributions would give localities and States time to gear themselves to the provision of a larger share of project costs. If essential programs such as urban renewal, which require large amounts of funds, are to be continued at their present levels, States and communities should bear a greater share of the financial burden. Unlike many other Federal-aid programs, urban renewal projects result in direct financial benefits to communities, in addition to the immediate objective of the program. In addition to slum elimination and all of its benefits, cities receive an increased tax base of great and immediate financial value."

Amendment No. 3, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"Strike all of section 502, beginning with line 8, page 48, through line 5 on page 51."

The explanation of amendment No. 3 is as follows:

"EXPLANATION OF AMENDMENT NO. 3

"This amendment would remove the provisions of the bill (sec. 502) to establish a $250 million revolving fund for loans by the Housing Agency to colleges for the construction or improvement of classrooms, laboratories, and related facilities (including initial equipment, machinery, and utilities) to be used for instruction of students or administration of the college. The provisions of the bill are primarily an extension of the college housing loan provisions to the new purposes listed.

"These provisions of the bill are undesirable because:

"1. They are unnecessary. To the extent a college has financial resources for repaying a loan for classroom construction and equipment, private funds are available.

"2. These provisions, if enacted, would simply substitute Federal loans for private loans.

"3. This $250 million authorization is entirely outside the Federal budget for next year and would provide for expenditures in that amount for unnecessary purposes.

"4. There is no sound financial basis for extending the existing college housing loan provisions to classrooms, laboratories, equipment, etc. These are not normally income-producing properties such as dormitories or faculty housing. Consequently, there is no logical basis for singling out this particular form of financial aid to assist them. The existing loan program is designed for revenue-producing properties, unlike classroom buildings which are generally financed through endowments, tuitions, and the general credit of the college.

"5. The Housing Agency is not the appropriate Agency of the Government to administer such a program. The provision of classrooms is essentially an educational matter, closely related to many other educational functions dealt with by the Department of Health, Education, and Welfare. This program would be basically different from the Housing Agency's program of loans for dormitories and faculty housing construction.

"6. Congress has always limited college housing loans to housing and related facilities for students and faculty because of the soaring enrollments, and left the financing of classrooms and administration buildings to private sources. This is a sound approach and should be continued."

Amendment No. 4, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"On page 63, strike lines 1 through 3."

The explanation of amendment No. 4 is as follows:

"EXPLANATION OF AMENDMENT 4

"This amendment would delete the provision in the bill (sec. 801 (c)) which would increase from $200 million to $250 million the amount of the FNMA authorization for the purchase of section 213 (cooperative housing) mortgages under its special assistance functions. The increase is unnecessary and entirely outside the Federal budget. It is not intended to be used for actual consumer cooperatives. Those cooperatives have plenty of such authorization specially designed for them. The amount of $50 million of the authorization is reserved for them by statute, and about $38 million of this still remains. The increased amount in the bill is intended to be used entirely by builder-borrowers who use section 213 to get more favorable mortgage terms under the National Housing Act. Under another provision of the bill (sec. 105) the builder-borrower could obtain an insured mortgage equal to 97 percent of replacement cost, which is extremely high for rental-type construction. Making $50 million of funds available to these builders as provided in the bill would give them a large, unfair advantage over other builders of rental-type housing."

Amendment No. 5, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"On page 65, strike lines 3 through 7."

The explanation of amendment No. 5 is as follows:

"EXPLANATION OF AMENDMENT 5

"This amendment would delete authority in the bill (sec. 804 (c)) for an additional $150 million of Treasury funds for direct home loans to veterans. This is an unnecessary authorization entirely outside the Federal budget. As recently as last April 1, the so-called Emergency Housing Act (Public Law 85-364) made an additional $350 million available for VA direct loans to veterans. In addition, the FNMA was authorized to use $1 billion of Treasury funds under its special assistance functions to purchase FHA-insured or VA-guaranteed mortgages where the amount of the mortgage does not exceed $13,500, the same as the maximum amount permitted for a VA direct loan. This means that plenty of Government money is available for VA-guaranteed loans and that the $150 million provided in the bill is unnecessary. In addition, the voluntary home mortgage credit program is assisting veterans in obtaining GI loans from private sources. Where this can be done, taxpayers' money should not be substituted for private loans."

Amendment No. 6, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"Strike all of section 602, beginning with line 13 on page 51 through line 21 on page 58."

The explanation of amendment No. 6 is as follows:

"EXPLANATION OF AMENDMENT 6

"This amendment would remove the authority in the bill (sec. 702) for a new special mortgage insurance program for military personnel and civilian personnel employed in connection with military installations.

"This program in the bill is a revival of the essential features of a cumbersome, unnecessary, mortgage insurance plan which proved to be financially unsound in operation and was repealed by the Congress. Subsequent attempts to revive it have been twice rejected in the Congress.

"Under it, rental housing would be provided near military installations on an 'acceptable risk' basis in place of an 'economic soundness' basis. Sales-type housing would be eligible along with apartment-type housing, but it would have to be held for rent for 5 years unless sooner released for sale by the military. The FHA would accept the determination of the military that the housing is needed and that the property or project is an acceptable risk. The FHA could require the military to reimburse it for loss on a project.

"The bill would revive the major provisions of title IX of the National Housing Act enacted in September 1951. Further insurance thereunder was terminated by the Congress as of July 1, 1954. Experience under the title IX program indicates the undesirability of using a similar program for long-range defense needs during peacetime. A substantial portion of the housing programed under title IX was found upon completion, or a little later, to be in excess of the community's needs. Some of the housing was never occupied. The FHA's loss ratio under that program has been much higher than under any of its other programs. Also, nearly all of the mortgage money was ultimately supplied by the FNMA.

"Housing for military personnel and essential civilian personnel of the armed services can be adequately handled under title VIII of the National Housing Act. Section 803 of that title provides for rental projects (Capehart housing) programed by the military, and section 809 authorizes a sales-type housing program for essential personnel at military research and development centers. For broader application of this section 809 sales-housing program, the present limitation to research and development installations could be modified by adding other categories if there was any need to do so. There is no apparent need for it. In addition, servicemen may receive unusually advantageous sales-housing mortgage terms under section 222 of the National Housing Act.

"The Capehart title VIII program provides for effective collaboration between the Defense Department and the FHA in planning and programing, of housing at military installations. The program was developed largely as a result of unsatisfactory experience under the title IX program. Similarly, the section 809 program adapts the procedures of the Capehart program to sales housing."

Amendment No. 7, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"On page 62, strike lines 21 through 23."

The explanation of amendment No. 7 is as follows:

"EXPLANATION OF AMENDMENT 7

"This amendment would remove from the bill (section 801 (c)) a 1-year extension of the requirement that FNMA purchase mortgages at par in its Special Assistance Functions. Under existing law, this requirement

would expire on April 7, 1958. It should be permitted to expire so that FNMA would have discretion to determine special assistance purchase prices as originally authorized in the 1954 FNMA Charter Act.

"While FNMA's Special Assistance Functions are financed only with Treasury-supplied money, the FNMA Charter Act states that the charges or fees of the Association shall be imposed with the objective that the functions be fully self-supporting. Also, FNMA is expected to resell a large number of the mortgages it buys, so that the use of Government funds will be held to a minimum. The objectives of continuing operations on a self-supporting basis and reselling mortgages in appreciable quantities is highly unlikely of attainment if FNMA is required by law to pay par for mortgages which the market values at less than par.

"The Special Assistance Functions were designed to supplement and encourage private investment in special categories of home *mortgages and not* to supplant such investment. The continuation of the par-purchase requirement makes it almost impossible for private investors to compete in the purchase of even the more desirable mortgages eligible for FNMA special assistance. In the long run, the more funds will be available for the special categories of housing designated for assistance in financing if private capital is actively encouraged to invest in, and become familiar with, these types of mortgages."

Amendment No. 8, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"On page 47, beginning with line 23, strike all through line 7 on page 48, and insert in lieu thereof the following: 'is amended by striking out "$925,000,000" and inserting in lieu thereof "$1,125,000,000."

" 'SEC. 502. Section 401 (f) of such act is hereby amended to read as follows: "(f) There are hereby authorized to be appropriated to the Administrator such sums as may be necessary to carry out the purposes of this title."

" 'SEC. 503. Section 402 (c) of such act is hereby amended by inserting "or guaranteed" after "made" in the first sentence of paragraph (4) thereof.

" 'SEC. 504. Such act is hereby amended by adding to section 402 thereof a new subsection (e) as follows: "(e) The provisions of section 309 of the Independent Offices Appropriation Act, 1950 (Public Laws 81-266, 63 Stat. 662), which are applicable to corporations or agencies subject to the Government Corporation Control Act, shall also be applicable to the activities of the Administrator under this title."

" 'SEC. 505. Section 404 of such Act is hereby amended by adding at the end thereof the following new subsection: "(i) 'bonds' shall mean any bonds, notes, interim certificates, certificates of indebtedness, debentures or other obligations."

" 'SEC. 506. Such act is hereby amended by adding at the end thereof the following new section:

" ' "GUARANTY CONTRACTS

" ' "SEC. 405. (a) In addition to his other authority under this title, the Administrator may enter into a contract, to be known as a Debt Service Guaranty Contract, pursuant to which the Administrator may guarantee the payment of the principal of and interest on the bonds of an educational institution, if the income from such bonds is subject to Federal taxation and the bonds are to be issued and sold to investors other than the United States in financing housing or other educational facilities, as defined in section 404. The Debt Service Guaranty Contract shall obligate the Administrator, so long as such bonds are outstanding, to pay to a trustee under an indenture securing the bonds, such amounts which, when added to the moneys available from the revenues or funds pledged by such institution as security for the bonds (including all reserve funds therefor), may be needed to make the payments due on the bonds. The aggregate principal amount of such guaranteed bonds outstanding at any one time shall not exceed $100 million.

" ' "(b) (1) For the purposes of this section the Administrator is authorized to establish a fund to be known as the College Housing Guaranty Fund.

" ' "(2) All fees received in connection with guaranties issued under this section, all funds borrowed from the Secretary of the Treasury pursuant to subsection (d), all earnings on the assets of the College Housing Guaranty Fund, all appropriations for carrying out functions under this section, and all other receipts of the Administrator in connection with the performance of his functions under this section, shall be deposited in the fund. All payments to trustees under subsection (a), repayments to the Secretary of the Treasury of sums borrowed from him pursuant to subsection (d) and all administrative expenses and any other expenses of the Administrator in connection with the performance of his functions under this section shall be paid from the College Housing Guaranty Fund. Moneys in the fund may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States, or in obligations eligible for investment of public funds. Such obligations may be sold and the proceeds derived therefrom may be reinvested, as herein provided, if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the fund.

" ' "(c) The Administrator is authorized to charge and collect a fee, as a consideration for the Government's guaranty of the loan, to cover administrative and other expenses in carrying out his functions under this section and to establish a reserve for losses. Such fee may be included in the amount of the bonds guaranteed.

" ' "(d) To carry out the purpose of this section the Administrator is authorized to issue to the Secretary of the Treasury from time to time notes or other obligations for purchase by the Secretary of the Treasury in amounts sufficient, together with any funds in the college housing guaranty fund, to make payments of principal and interest on all bonds guaranteed under this section in accordance with the debt service guaranty contract. In the issuance of such notes or other obligations, the Administrator and the Secretary of the Treasury shall be governed by the provisions of, and exercise the authorities granted them respectively by, section 401 (e), it being the intention hereof to make the provisions and authorities of said section 401 (e) applicable to the notes or other obligations authorized and issued pursuant to this section.

" ' "(e) The provisions of paragraph (b) of section 402 shall be inapplicable to funds made available to the Administrator in carrying out his functions under this section." '

"On page 48, line 8, strike 'SEC. 502.' and insert 'SEC. 507.' "

The explanation of amendment No. 8 is as follows:

"EXPLANATION OF AMENDMENT 8

"This amendment would (1) reduce the amount of additional direct loan authorization provided in the bill for college housing, and (2) provide a supplemental loan guaranty program for such housing and related facilities.

"1. Direct loan authorization: The bill now provides a $400 million increase in the direct loan authorization for college housing and related facilities. Of the $400 million increase, $25 million may be used for 'other educational facilities' increasing the limitation for this purpose from $100 million to $125 million, and $75 million may be used for student-nurse and intern housing facilities, increasing the limitation for this purpose from $25 million to $100 million. This amendment would reduce the $400 million figure (sec. 501 of the bill) to $200 million and would provide no increase in the special limitations referred to. With the carryover at the end of this fiscal year, the additional authorization in the amendment would permit direct loan commitments during the next fiscal year of about $225 million, as compared to about $210 million for this fiscal year. This provides adequate authority for direct loans for college housing. Direct loans under this program should be limited to college housing. Federal financial assistance for student centers and other related facilities, as well as housing for nurses and interns would be available under the guaranty program to private institutions, explained below.

"2. Supplemental loan guaranty program: The amendment (secs. 502 through 506) would provide a new loan guaranty program to supplement the direct loan program and make private funds available on favorable terms. The Housing Administrator would be authorized to guarantee the repayment of up to $100 million of private loans to educational institutions, which issue taxable bonds, for the provision of dormitories, other dwellings, and essential service facilities. This guaranty program, in addition to the direct loan program, would permit Federal financial assistance for a much greater volume of college housing construction than in prior years. The new program would be an additional and supplemental program which would not restrict or impair direct loan operations. Eligible colleges would have the option of qualifying under either program.

"Under the amendment, the housing obligations issued by eligible educational institutions would be backed by the credit of the United States through the medium of Debt Service Guaranty Contracts pursuant to which the United States would guarantee the debt service on such obligations as long as they remained outstanding. By assuring private lenders that the debt service payments would be met as scheduled, the proposed legislation, if enacted, would assist educational institutions, which can issue taxable bonds, to obtain funds in the private market on favorable terms which will allow their dormitory construction programs to proceed. The Housing Administrator would be authorized to establish a revolving fund for the purpose of the new program into which fees, charges, appropriated funds, and other income would be deposited. The Administrator would be authorized to charge and collect a fee as consideration for the Government's guaranty of the loan, to cover administrative and other expenses and to establish a reserve for losses. The Administrator would also have authority to borrow from the Treasury if other available funds were inadequate to pay under the guaranty."

Amendment No. 9, by Mr. CAPEHART (for himself, Mr. BRICKER, and Mr. BENNETT):

"Strike all of title III beginning with line 4 on page 24 through line 22 on page 35, and insert in lieu thereof the following:

" 'TITLE III—URBAN RENEWAL

" 'SEC. 301. Section 101 (b) of the Housing Act of 1949 is amended by adding at the end thereof a new sentence as follows: "The Administrator shall particularly encourage the utilization of local public agencies established by the States to operate on a statewide basis in behalf of smaller communities within the State, whenever that arrangement provides an effective solution to community development or redevelopment problems in such communities, and is approved by resolution or ordinance of the

governing bodies of the affected communities."

"'SEC. 302. (a) The Housing Act of 1949 is hereby amended by—

"'(1) striking out of section 100 the word "capital";

"'(2) striking out of section 101 (a) "advances" and inserting in lieu thereof "planning grant";

"'(3) striking out subsection (d) of section 102 and redesignating subsections (e), (f), and (g) as subsection (d), (e), and (f), respectively;

"'(4) redesignating subsection (b) of section 103 as subsection (c), striking out "capital" each place it appears therein, and inserting "and planning" in the first sentence after "projects";

"'(5) inserting after section 103 (a) the following new subsection:

"'"(b) The Administrator may make planning grants to local public agencies for—

"'"(1) surveys and plans for urban renewal projects as defined in this title, including, but not limited to, (i) plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, (ii) plans for the enforcement of State and local laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements, and (iii) appraisals, title searches, and other preliminary work necessary to prepare for the acquisition of land, all in connection with the undertaking of projects; and

"'"(2) preparation or completion of community renewal programs, which may include, without being limited to, (i) the identification of slum areas or blighted, deteriorated, or deteriorating areas in the community, (ii) the measurement of the nature and degree of blight and blighting factors within such areas, (iii) determination of the financial, relocation and other resources needed and available to renew such areas, (iv) the identification of potential project areas and, where feasible, types of urban renewal action contemplated within such areas; and (v) scheduling or programing of urban renewal activities. Such programs shall conform, in the determination of the governing body of the locality, to the general plan of the locality as a whole. The Administrator may establish reasonable requirements respecting the scope and content of such programs.

"'"No contract for planning grant shall be made unless the governing body of the locality involved has by resolution or ordinance approved the undertaking of the surveys and plans or the preparation or completion of the community renewal program, and the submission by the local public agency of an application for such a planning grant. Notwithstanding section 110 (h) or the use in any other provision of this title of the term 'local public agency' or 'local public agencies' the Administrator may make planning grants (i) for surveys and plans for an urban renewal project, to a single local public body which has the authority to undertake and carry out a substantial portion, as determined by the Administrator, of the surveys and plans or of the contemplated project: *Provided,* That the application for such planning grant shows, to the satisfaction of the Administrator, that the filing thereof has been approved by the public body or bodies authorized to undertake those portions of the surveys and plans or of the project which the applicant is not authorized to undertake, and (ii) for preparation or completion of a community renewal program, to a single local public body authorized to perform the planning work necessary to such preparation or completion. No planning grant made under this subsection shall exceed a fixed percentage of the cost (as such cost is determined or estimated by the Administrator) of the surveys and plans or of the preparation or completion of the community renewal program for which such grant is made. Such fixed percentage shall be the same as the percentage which would apply under section 103 (a) to any capital grants for the project involved."

"'(6) striking out of section 106 the word "capital" each place it appears in clause (3) of subsection (a), subsection (b), clauses (6) and (8) of subsection (c), and subsection (e);

"'(7) changing the reference in section 106 (e) from "section 103 (b)" to "section 103 (c)";

"'(8) striking out of the next-to-last paragraph of section 110 (e) the word "capital" each place it appears, and striking out of the last paragraph thereof "advances" and "outstanding advances" and inserting in lieu thereof "planning grants";

"'(9) adding at the end of section 110 (d) the following paragraph:

"'"Notwithstanding any other provision of this subsection, in any community for which there exists a community renewal program meeting the requirements of the Administrator established pursuant to clause (2) of section 103 (b), no subsequent donation or provision of a public improvement or public facility of a type falling within the purview of this subsection shall be deemed to be ineligible as a local grant-in-aid for any project in conformity with such community renewal program solely on the basis that the construction of such improvement or facility was commenced without notification to the Administrator or prior to Federal recognition of such project, if such construction was commenced not more than five years prior to the authorization by the Administrator of a contract for loan or capital grant for the project."; and

"'(10) inserting in clause (1) of section 110 (e), after the word "undertakings", the following "(except surveys and plans financed under section 103 (b) (1))."

"'(b) Notwithstanding any other provisions of this section, the Housing and Home Finance Administrator is authorized (1) to enter into contracts for advances in accordance with section 102 (d) of the Housing Act of 1949 as amended prior to the effective date of this act if the applications for such advances were received by said Administrator prior to the effective date of this act, and (2) to amend any contract for advance at any time hereafter for the purpose of providing additional advances under said section 102 (d), as so amended, or for any other purpose necessary to the completion of the planning work covered by such contract.

"'SEC. 303. (a) Section 103 (a) of the Housing Act of 1949 is hereby amended by striking out the second sentence and inserting in lieu thereof the following: "The aggregate of such capital grants with respect to all the projects of a local public agency on which contracts for capital grants have been made under this title shall not exceed the sum of the applicable percentages of the respective net project costs of such projects. Such percentages, which shall apply to all projects receiving initial Federal recognition during the period specified, shall be 66 2/3 percent for the period prior to July 1, 1959; 60 percent for the period between July 1, 1959, and June 30, 1960, inclusive; 55 percent for the period between July 1, 1960, and June 30, 1961, inclusive; and 50 percent for any time thereafter: *Provided,* That the percentage for any project for which no planning grant is received and retained by the local public agency and which the Administrator, at the request of such agency, may approve on a three-fourths capital grant basis shall be 75 percent, or such lesser percentage as the Administrator determines to be generally consistent with the percentage of net project costs hereunder applicable at the time to projects not so approved."

"'(b) Section 104 of such act is hereby amended to read as follows:

"'"SEC. 104. Every contract for capital grants under this title shall require local grants-in-aid in connection with the project involved which, together with the local grants-in-aid to be provided in connection with all other projects of the local public agency on which contracts for capital grants have theretofore been made, will be at least equal to the difference between the aggregate net project costs involved and the sum described in the second sentence of section 103 (a)."

"'(c) The proviso in the first sentence of section 110 (e) of such act is hereby amended by striking out "second sentence" and inserting in lieu thereof "third sentence."

"'(d) Section 103 (c) of such act (as redesignated in this act) is hereby amended by—

"'(1) striking out "$900 million, which limit shall be increased by $350 million on the date of enactment of the Housing Act of 1957" and inserting in lieu thereof "$1,250,000,000, which limit shall be increased by $200 million on July 1, 1958, by $250 million on July 1 in each of the years 1959 and 1960, and by $200 million on July 1 in each of the years 1961, 1962, and 1963"; and

"'(2) inserting the following before the period at the end thereof: ": *Provided,* That any amounts so appropriated shall also be available for repaying to the Secretary of the Treasury, for application to notes of the Administrator, the principal amounts of any funds advanced to local public agencies under this title which the Administrator determines to be uncollectible because of the termination of activities for which such advances were made, together with the interest paid or accrued to the Secretary (as determined by him) attributable to notes given by the Administrator in connection with such advances, but all such repayments shall constitute a charge against the authorization to make contracts for capital grants contained in this section: *Provided further,* That no such determination of the Administrator shall be construed to prejudice the rights of the United States with respect to any such advance."

"'SEC. 304. Section 105 (b) of the Housing Act of 1949 is amended by adding the following before the semicolon at the end thereof: ": *And provided further,* That, with respect to any improvements of a type which it is otherwise authorized to undertake, any Federal agency (as defined in section 3 (b) of the Federal Property and Administrative Services Act of 1949, as amended, and also including the District of Columbia or any agency thereof) is hereby authorized to become obligated in accordance with this subsection (c), except that clause (ii) of this subsection shall apply to such Federal agency only to the extent that it is authorized (and funds have been authorized or appropriated and made available) to make the improvements involved."

"'SEC. 305. Section 110 of the Housing Act of 1949 is hereby amended by adding the following at the end thereof:

"'"(k) 'Federal recognition' means execution of any contract for financial assistance under this title or concurrence by the Administrator in the commencement, without such assistance, of surveys and plans."

"'SEC. 306. Section 110 (b) of the Housing Act of 1949 is hereby amended by inserting in clause (2) after "to indicate" the following: ", to the extent required by the Administrator for the making of loans and grants under this title."

"'SEC. 307. Section 110 (c) of the Housing Act of 1949 is hereby amended by inserting

before the last paragraph thereof the following paragraph:

"'"Notwithstanding the first sentence of the preceding paragraph, the Administrator (i) may extend financial assistance, other than capital grants, under this title to local public agencies for projects in urban renewal areas (other than open land areas) which are not clearly predominantly residential in character and which will not be predominantly residential under the urban renewal plan therefor, and (ii) may make, and agree to make, loans to refund temporary loans for such projects, as provided in this paragraph. Any such refunding loan shall be made when the project involved has been completed, shall provide for repayment within 10 years, and shall be in an amount not exceeding the net project cost of such project. The aggregate amount of all such refunding loans outstanding at any one time shall not exceed $150 million. Except as otherwise provided in this paragraph, all loans hereunder shall be subject to the provisions of this title applicable to temporary and definitive loans. Section 102 (c) is hereby made applicable to all loans authorized by this paragraph, and the Administrator shall require local public agencies to obtain loan funds from sources other than the Federal Government as provided in said section unless the Administrator determines in the particular case involved that such action is not feasible."

"'SEC. 308. Section 110 (g) of the Housing Act of 1949 is hereby amended—

"'(1) by striking out of the first sentence "is approved" and inserting in lieu thereof "for any project under this title is authorized";

"'(2) by inserting in the second sentence after "Any" the word "such"; and

"'(3) by striking out of the second sentence "contract is revised or superseded by such later contract" and inserting in lieu thereof "later contract is authorized."

"'SEC. 309. The requirement in section 110 (d) of the Housing Act of 1949 that the assistance given by a State, municipality, or other public body under that section shall be in connection with a project on which a contract for capital grant has been made under tile I of that act shall not apply to assistance provided during the period from January 1, 1957, through December 31, 1958, in connection with (1) urban renewal activities which, at the time that the assistance was given, had not been extended recognition as a project to be assisted under that title solely because of then existing limitations on the authority of the Housing and Home Finance Administrator to make capital grants under that title or to reserve funds for such purpose, or (2) urban renewal activities which were extended such recognition within 60 days after the provision of such assistance was initiated.

"'SEC. 310. Section 701 of the Housing Act of 1954 is amended by striking out the language after the parenthetical clause in the first sentence and inserting in lieu thereof the following: "to (1) cities and other municipalities having a population of less than 25,000 according to the latest decennial census, and (2) to any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 25,000 according to the latest decennial census and having common or related urban planning problems resulting from rapid urbanization".'"

The explanation of amendment No. 9 is as follows:

"EXPLANATION OF AMENDMENT 9

"The amendment would substitute a new title III of the bill in order to provide satisfactory provisions on urban renewal. The new title consists of title III of S. 3399 plus the desirable provisions on urban renewal in the present bill. The changes in the bill which this amendment would make are explained below.

"1. Substitution of planning grants for planning advances: The amendment (sec. 302) would insert in the bill provisions from S. 3399 to substitute urban renewal planning grants for urban renewal planning advances.

"Under existing law, the Housing Administrator may make advances of funds to local public agencies for (i) surveys and plans for specific urban renewal projects, (ii) general neighborhood renewal planning, and (iii) studies to determine the feasibility of proposed urban renewal projects. These advances cover the entire cost of the planning work and are repayable solely from moneys becoming available to the local public agency for the actual undertaking of the project involved. Thus, such advances are repaid only if and when the urban renewal project which has been planned is actually undertaken. Furthermore, most projects which are undertaken are carried out with further Federal assistance in the form of loans and grants, with the result that the Federal Government ultimately bears two-thirds of the cost of planning, while the locality bears the remaining third through cash or noncash contributions to the project. Under this system the community makes no contribution to the cost of planning a project until and unless the project is actually undertaken. Consequently, neither the community nor the local public agency suffers any financial loss if the planning work is not completed or if the planned project is never undertaken. In all cases the loss of all planning costs is borne by the Federal Government.

"This amendment would change the above provisions so that on future projects Federal planning grants would be substituted for advances of funds now made by the Administrator. These grants could cover up to two-thirds of the cost of the planning work for which they would be made under planning grant contracts executed before July 1, 1959. On that date the Federal share of planning costs would drop to 60 percent; on July 1, 1960, to 55 percent; and on July 1, 1961, to 50 percent. This gradual reduction of the Federal share would parallel the reduction provided elsewhere in the amendment for project capital grants, and would allow time for localities and States to prepare to meet the correspondingly larger share of planning costs. Such a requirement for a direct local contribution to planning costs would give communities a greater responsibility and stake in the planning of projects. This could be expected to result in fewer projects being started and then discontinued after planning expenditures, and greater economies in operations which should lessen the need for Federal administrative reviews and controls.

"2. Reduction of additional capital grant authorization: The bill now provides (sec. 303 (d)) for an additional 6 year, $2 billion urban renewal program, with an annual capital grant authorization of $350 million which could be increased by $150 million in any one year. This amendment would substitute a 6-year program of $1.3 billion as follows: $200 million in fiscal year 1959; $250 million in fiscal year 1960; $250 million in fiscal year 1961; and $200 million in each of the fiscal years 1962, 1963, and 1964. This amendment would provide increases which are realistic in terms of the Federal budget and the projects which the communities can be expected to undertake.

"3 Gradual reduction of Federal share of urban renewal project cost: Existing law limits the aggregate capital grants paid with respect to the projects of a local public agency to two-thirds of the aggregate net costs of such projects. The remaining one-third of net project costs must be borne by the locality in the form of cash or noncash local grants-in-aid, the latter consisting of such things as land donations and the provision of necessary public improvements and facilities. This amendment (sec. 303 (a)) would insert a provision in the bill which would reduce the Federal Government's two-thirds share to 60 percent on July 1, 1959, 55 percent on July 1, 1960, and 50 percent on July 1, 1961, with resulting increases in the local share of project costs bringing such share up to a matching 50 percent. The gradual reduction of Federal contributions would give localities and States time to gear themselves to the provision of a larger share of project costs. If essential programs such as urban renewal, which require large amounts of funds, are to be continued at their present levels, States and communities should bear a greater share of the financial burden. Unlike many other Federal aid programs, urban renewal projects result in direct financial benefits to communities, in addition to the immediate objective of the program. In addition to slum elimination and all of its benefits, cities receive an increased tax base of great and immediate financial value.

"4 Deletion of provisions to broaden relocation payments: The amendment would delete from title III of the bill (sec. 306 (a) thereof) provisions for broadening existing authority for relocation payments to individuals and businesses displaced by an urban renewal project. Those provisions of the bill would extend this authority to include persons displaced as a result of any governmental activity in an urban renewal area, and persons displaced by programs of voluntary repair and rehabilitation in such an area. This would include persons displaced by highway construction or other Government activities which happen to be in an urban renewal area. There is no basis for broadening the existing payments and thus making the Housing Administrator pay for expenses in connection with other programs—actually, losses to individuals and businesses as the result of land acquisition by local bodies should be borne by the localities through compensation in eminent domain or otherwise. Relocation payments in connection with voluntary programs of repair provides a very broad and indefinite authority which could lead to abuse, and would be very difficult to administer. The repair programs could even be programs of private individuals.

"5. Deletion of requirement for priority to purchase or lease facilities in urban renewal area: The amendment would delete from title III of the bill (sec. 306 (b) thereof) provisions requiring that displaced business concerns be given a priority to purchase or lease commercial or industrial facilities in an urban renewal area where determined practical and desirable by the locality. This would mean that any such priority would have to be imposed on the developer of the land. This would greatly impede the development of an urban renewal area, because private developers would not want to administer any priority program. It would naturally lower the price which the local agency could obtain for the land and thus increase the cost of the project to the Federal Government and the locality.

"6. Deletion of increase in percentage of capital grants for nonresidential projects; authorization of loan program for such projects: The amendment would delete from title III of the bill (sec. 308) an increase, from 10 percent to 15 percent, the amount of urban renewal capital grants which can be used for nonresidential projects. The provision now in the bill would also remove the requirement in the law that the sites of such projects contain a substantial number of slum or deteriorating structures. The amendment would, of course, delete this

provision. Capital grants should be retained for projects which assist in improving the living conditions of the people. Nonresidential projects should be financed in other ways.

"To provide necessary financing for nonresidential projects, the amendment (sec. 307) would authorize a program of loans without grants. In addition to the regular loans to finance the land acquisition, which are repaid when the land is sold, the amendment would authorize the Housing Administrator to make refunding loans to refund the temporary loans when the project is completed. The refunding loans could be made for a period up to 10 years and in an amount not exceeding the net project cost of the project involved.

"A temporary loan made under this authorization would make available to the local public agency the working capital needed to finance the carrying out of urban renewal project activities in the area. The proceeds which it receives from disposition of land in the project area would go to repay a portion of the temporary loan. The remaining portion of the loan could be refunded by the locality with a refunding loan authorized by this amendment. The aggregate amount of refunding loans made by the Housing Administrator which could be outstanding at any one time would be limited to $150 million. In addition, the Administrator would be directed to encourage local public agencies to seek private financing in the same manner now provided for other urban renewal loans. Under this authority the local public agencies could borrow funds from private sources by pledging certain of their rights under their loan contracts with the Government, thus avoiding the necessity for actual disbursement of loan funds by the Government. In effect this amounts to a Federal guaranty of private loans, and makes it unnecessary in most instances for local public agencies to actually borrow Federal funds.

"It is clear that many of the commercial projects which communities wish to undertake, particularly on the fringe of central business districts would result in very little, if any, net project cost because of the high market value which the property would have for the construction of downtown office buildings or other nonresidential structures of high value. Accordingly, these projects could be undertaken if the Federal Government furnished loans without capital grants. An important factor to the communities would be the increased tax base which would result from the redevelopment of areas for commercial or industrial purposes, which should serve as an incentive for the assumption of such local expenditures as would be required."

Amendment No. 10, by Mr. CAPEHART (for himself, Mr. BRICKER, Mr. BENNETT, and Mr. BUSH):

"On page 3, strike lines 17 through 24.

"On page 4, strike lines 1 and 2.

"On page 4, line 3, strike '(3)' and insert '(i).'

"On page 4, line 5, strike '(vii)' and insert '(ii).'

"On page 4, strike lines 13 through 25.

"On page 5, strike lines 1 through 24.

"On page 5, line 25, strike '(b)' and insert 'SEC. 105.'

"On page 8, line 3, strike 'profit' and insert 'overhead, profit.'

"On page 8, line 13, strike '$2,500' and '$9,000' and insert '$2,250' and '$8,100', respectively.

"On page 8, line 17, strike '$2,500' and insert '$2,250.'

"On page 8, line 18, strike '$3,000' and insert '$2,700.'

"On page 8, line 19, strike '$9,000' and '$9,400' and insert '$8,100' and '$8,400', respectively.

"On page 8, line 24, strike '$1,250' and insert '$1,000.'

"On page 13, strike lines 20 through 25.

"On page 14, strike lines 1 through 16.

"On page 14, line 17, strike '(3)' and insert '(2).'

"On page 14, strike lines 20 through 25.

"On page 15, strike lines 1 through 19 and *'Provided further,'* in line 20, and insert the following: '(3) if executed by a mortgagor approved by the Commissioner but which is not a nonprofit organization, involve a principal obligation in an amount which does not exceed that provided for nonprofit organizations in paragraph (3) of this subsection, except that the amount shall not exceed 95 percent of the Commissioner's estimate of the value (as of the date the mortgage is accepted for insurance) of the property or project when constructed, or repaired and rehabilitated, for use as rental accommodations for 10 or more families eligible for occupancy as provided in this section: *Provided.*'

"On page 16, line 8, strike '(4)' and insert '(3).'"

The explanation of amendment No. 10 is as follows:

"EXPLANATION OF AMENDMENT NO. 10

"This amendment would remove from the bill excessive increases in FHA mortgage insurance ceilings. Title I of the bill would make a number of unnecessary increases in FHA mortgage-insurance ceilings on rental housing, both as to dollar amount and as to the ratio of loan to value or loan to cost. These increases are unnecessary because existing ceilings are not an impediment to construction, and the increases would naturally raise the rentals of the units involved and the income group served by the housing.

"1. The amendment would eliminate the following dollar mortgage increases (in sec. 104 (2) of bill) under the regular FHA rental housing program (sec. 207 of the National Housing Act):

	"Present law		Proposed bill	
	Per room	Per unit if under 4 rooms	Per room	Per unit if under 4 rooms
Garden type	$2,250	$8,100	$2,500	$9,000
Elevator type	2,700	8,400	3,000	9,400
Increase for high-cost areas	1,000	----------	1,250	----------

"The amendment would eliminate similar increases in the mortgage ceilings in (1) cooperative housing program under section 213 of the National Housing Act (sec. 105 of the bill), and (2) the rental housing in urban renewal areas under section 220 of the National Housing Act (sec. 109 (b) of bill).

"2. The amendment would also eliminate the increase the bill (sec. 105) would make in the loan-to-cost ratio for cooperative housing mortgages under section 213. This increase would be from 90 percent to 97 percent in the case of nonveteran cooperatives, and from 95 percent to 97 percent in the case of veteran cooperatives. This is excessively high for management type cooperatives which involve rental-type construction. This is made worse by other provisions of the bill making FNMA special assistance funds available for such cooperatives.

"3. The amendment would make one very desirable change in the method of computing the loan-to-cost ratio in the bill (sec. 109 (b)) for section 220 mortgages. The bill would authorize mortgages on new construction under that section to equal replacement cost of the property excluding builder's and sponsor's profit and risk. This amendment would add "overhead" to the excluded items. This is necessary both to prevent excessive increases in mortgage amounts, and to avoid abuses which would result from inclusion of the many items a builder could list as "overhead" in connection with a project. It would not be administratively feasible to prevent such abuses through regulation.

"4. The amendment would also make corrections in the mortgage ratio ceilings for rental housing for displaced families under section 221 of the National Housing Act (sec. 111 (b) of bill). The maximum ratio for rental housing built by nonprofit corporations should remain at 100 percent of value instead of being changed to 100 percent of cost as provided in the bill. Similarly, the maximum mortgage ratio for projects built for profit should be 95 percent of value instead of 100 percent of cost as provided in the bill. The higher amounts are excessive and too free of adequate safeguards. Because section 221 mortgages may have a maturity of up to 40 years and because the projects do not have to be in an urban renewal area, it is necessary to consider the effects of potential neighborhood changes on property values and rental income over an extended period of time if the Government's interest is to be protected. This can be done by FHA under a valuation appraisal, but not under a calculation of replacement cost."

EXTENSION OF EXISTING CORPORATE NORMAL-TAX AND CERTAIN EXCISE-TAX RATES—AMENDMENTS

Mr. POTTER submitted amendments, intended to be proposed by him, to the bill (H. R. 12695) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, which was ordered to lie on the table, and to be printed.

LEAVES OF ABSENCE

Mr. KEFAUVER. Mr. President, I ask unanimous consent to be granted leave of absence from the session of the Senate tomorrow, because of some important engagements I have in Tennessee.

I desire to say, Mr. President, that the amendment which I understand may be offered by the Senator from Illinois [Mr. DOUGLAS], to adjust the tax load for small business, is, in my opinion, a vitally necessary amendment. I think it would carry out the pledges of both the political parties. Small business is entitled to such relief and such assistance in the bill.

I have arranged a pair, so that my vote will be recorded in favor of passage.

The PRESIDING OFFICER. Without objection, leave is granted.

Mr. CAPEHART. Mr. President, I ask unanimous consent to be absent from the Senate on tomorrow, for the reason that I shall fly to my State and inspect flood conditions in Indiana, in company with the State small business agency director and the head of the Farm Home Loan Bank of Indiana.

For that reason I shall not be present in the Senate. I shall be away on official business. However, I want the RECORD to show that if I were present I would vote for the bill on its passage tomorrow.

I again want to say I think what we need and what this country needs above everything else is tax reform. I think the last vote is proof that the Senate is ready to do the right thing.

On request of Mr. DIRKSEN, and by unanimous consent, Mr. MARTIN of Iowa was excused from attendance on the session of the Senate tomorrow.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, June 19, 1958, he presented to the President of the United States the following enrolled bills:

S. 846. An act for the establishment of a National Outdoor Recreation Resources Review Commission to study the outdoor recreation resources of the public lands and other land and water areas of the United States, and for other purposes;

S. 1248. An act for the relief of Fred G. Clark;

S. 2064. An act for the relief of Marie Ethel Pavlovitch and her daughter, Dolly Hester Pavlovitch;

S. 2087. An act for the relief of Eva Lichfuss;

S. 2099. An act for the relief of Irene B. Moss;

S. 2147. An act for the relief of Chong Sook Rhee;

S. 2196. An act for the relief of Annadore E. D. Haubold and Cynthia Edna Haubold;

S. 2245. An act for the relief of Moy Tong Poy;

S. 2256. An act for the relief of Luz Poblete and Robert Poblete Broaddus, Jr.;

S. 2301. An act for the relief of Genevieve M. Scott Bell;

S. 2346. An act for the relief of Lucy Hedwig Schultz;

S. 2499. An act for the relief of Ilona Agnes Ronay;

S. 2503. An act for the relief of Maria H. Aguas and Buena M. Castro;

S. 2538. An act for the relief of Florica Bogdan;

S. 2613. An act for the relief of Cedomilj Mihailo Ristic;

S. 2650. An act for the relief of Tokiyo Nakajima and her child, Megumi (Kathy) Nakajima;

S. 2657. An act for the relief of Jesus Romeo Sotelo-Lopez;

S. 2713. An act for the relief of Abbas Mohammad Awad;

S. 2718. An act for the relief of Haseep Milhem Esper;

S. 2849. An act for the relief of Moo Wah Jung;

S. 2940. An act for the relief of Joseph H. Choy; and

S. 3124. An act for the relief of Tommy Ilton Chatterton (Tommy Kim).

ADJOURNMENT TO 11 A. M. TOMORROW

The PRESIDING OFFICER. If there is no further business to be transacted, the Senate, pursuant to the order previously entered, will now stand in adjournment.

Thereupon (at 7 o'clock and 23 minutes p. m.) the Senate adjourned, the adjournment being, under the order previously entered, until tomorrow, Friday, June 20, 1958, at 11 o'clock a. m.

CONFIRMATION

Executive nomination confirmed by the Senate June 19, 1958:

THE FEDERAL POWER COMMISSION

John J. Hussey, of Louisiana, to be a member of the Federal Power Commission for the term of 5 years expiring June 22, 1963.

HOUSE OF REPRESENTATIVES

THURSDAY, JUNE 19, 1958

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Isaiah 55: 6: *Seek ye the Lord while He may be found, call ye upon Him while He is near.*

Eternal and ever-blessed God, we rejoice that Thou art found by all who truly seek Thee, known by those who love, and seen by all whose hearts are pure.

In this moment of prayer we are thanking Thee for Thy greatness and goodness, for in our weakness Thou art our strength and in our darkness Thou art our light.

To Thy loving kindness we are bringing all the nameless needs of our hearts, seeking the one thing needful and which Thou alone canst give, even Thyself, our joy and consolation, our hope and salvation.

Grant that daily we may be blessed with a more vivid sense of Thy nearness and a clearer vision of Thy grace which is sufficient for all our needs.

Hear us in Christ's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

AUTHORITY TO DECLARE A RECESS ON WEDNESDAY, JUNE 25

The SPEAKER. The gentleman from Massachusetts is recognized.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that it may be in order at any time on Wednesday, June 25, 1958, for the Speaker to declare a recess for the purpose of receiving the Prime Minister of Afghanistan.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

COMMITTEE ON AGRICULTURE

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on Agriculture may have until midnight tonight to file a report on the bill H. R. 12954, to extend and amend the Agricultural Trade Development and Assistance Act of 1954; to amend the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the National Wool Act of 1954 with respect to acreage allotment and price support programs for rice, cotton, wool, wheat, milk, and feed grains and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

COMMITTEE ON PUBLIC WORKS

Mr. FALLON. Mr. Speaker, I ask unanimous consent that the Committee on Public Works may have until midnight tonight to file a report on the bill H. R. 12776, to revise, codify, and enact into law, title 23 of the United States Code, entitled "Highways."

Mr. MARTIN. Mr. Speaker, reserving the right to object, are there any minority views that should be included in the report?

Mr. FALLON. No; this bill was reported out of the committee unanimously.

Mr. MARTIN. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

DICTATOR TRUJILLO

Mr. PORTER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

Mr. PORTER. Mr. Speaker, Dictator Trujillo is mad at the United States. What a disaster. His son was flunked by the United States Army Command and General Staff School. What an insult. So papa intends to break treaties with the United States providing for mutual security assistance and a United States missile tracking base in the so-called Dominican Republic. He has also ordered home 30 Dominican boys attending schools in the United States.

Will this defection seriously impair the strength of the Free World? A lion loses no strength when a flea jumps off his hide.

Next the dictator may break trade relations, perhaps establish his own sugar cane curtain. Now that he is no longer cooperating with the Free World against communism he may turn to neutralism or perhaps even become a Caribbean Tito.

This grave emergency can be met in several ways:

First. Call a summit conference, where President Eisenhower apologizes to Trujillo and decorates him with the legion of merit.

Second. Court-martial and execution of the Army officers who dared rate the Command General Staff School standards above good relations with a beloved and powerful ally.

Third. Dispatch selected movie stars to Trujillo, Jr., to urge him to persuade papa to rejoin the Free World defense scheme.

Fourth. Laugh it off as good riddance too long delayed.

Mr. Speaker, of course, I reject the first, second, and third, and I strongly recommend the fourth.

PERMISSION TO FILE MINORITY REPORT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that a minority report, in addition to the report on which consent has been granted, and additional views may be filed not later than midnight tonight on the bill H. R. 12954.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.